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Manulife Financial Corporation

a global vision

2000 Annual Report

Manulife Financial

Forward-Looking Statements

This report includes Forward-Looking statements with respect to the Company, including its business operations and strategy and financial performance and condition. These statements generally can be identified by the use of Forward-Looking words such as "may," "will," "expect," "intend," "estimate," "anticipate," "believe," or "continue" or the negative thereof or similar variations. Although management believes that the expectations reflected in such Forward-Looking statements are reasonable, such statements involve risks and uncertainties and actual results may differ materially from those expressed or implied by such Forward-Looking statements. Important factors that could cause actual results to differ materially from the Company's expectations include among other things, general economic and market factors, including interest rates, business competition and changes in government regulations or in tax laws.

Manulife Financial Corporation is a leading provider of financial protection and wealth management products in Canada, the United States and Asia. Established in 1887 and headquartered in Canada, Manulife Financial's extensive network of employees, agents and distribution partners serve millions of customers in 15 countries and territories worldwide.

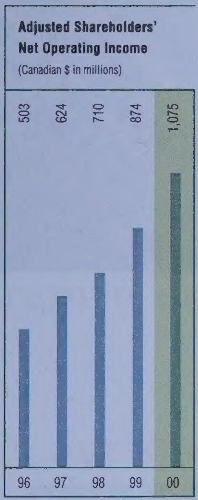
Our commitment to customer excellence earns us the distinction of industry leadership in the markets we serve. Our diverse international operations allow us to leverage our people, products, technology and expertise quickly and effectively to new markets. Manulife Financial is a financially strong, competitive financial services company dedicated to increasing shareholder and customer value.

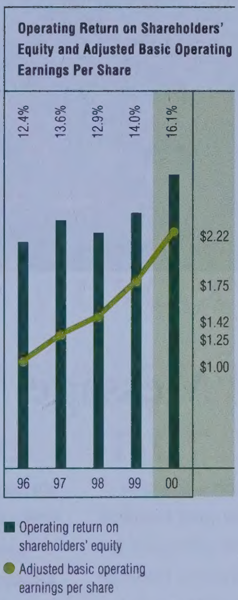
Manulife Financial Corporation trades as 'MFC' on the TSE, NYSE and PSE, and under '0945' on the SEHK.

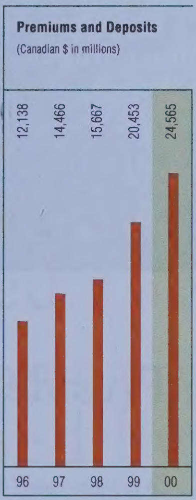
Diversity Manulife Financial is dedicated to bias-free employee practices and to the attraction and retention of employees with diverse backgrounds which reflect the many communities and markets we serve throughout the world.

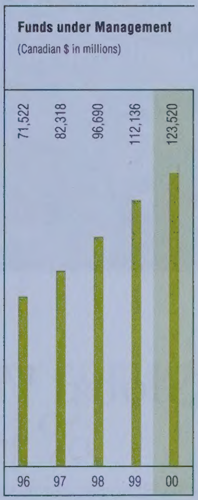
Printed in Canada on environmentally friendly paper. Please recycle.
Ce rapport annuel de la Financière Manuvie est aussi disponible en français.

Key Performance Measures









Ratings

The following rating agencies each assign The Manufacturers Life Insurance Company ratings within their highest range of categories, thereby recognizing the Company as among the strongest in the life insurance industry.

Purpose	Rating agency	Rating	
Claims paying/Financial strength	A.M. Best	A++	(1st of 16 categories)
	Dominion Bond Rating Service	IC-1	(1st of 5 categories)
	Fitch	AAA	(1st of 22 categories)
	Moody's	Aa2	(3rd of 21 categories)
	Standard & Poor's	AA+	(2nd of 21 categories)
Commercial paper	Dominion Bond Rating Service	R-1 (mid)	
	Moody's	Prime-1	
	Standard & Poor's	A-1+	
Subordinated debt	Fitch	AA	
	Moody's	A1	
	Standard & Poor's	AA-	

At Manulife Financial, our mission is to become the most professional life insurance company in the world and in the year 2000, we made significant progress towards that goal. By almost any measure, the year was one of accomplishment for our fine company.

A Global Vision: President's Message

At Manulife Financial, our mission is to become the most professional life insurance company in the world and in the year 2000, we made significant progress towards that goal. By almost any measure, the year was one of accomplishment for our fine company. Shareholders' net income rose to a record $1,075 million, return on shareholders' equity exceeded 16 per cent and, in the first full year as a public company, our stock price increased by 154 per cent. While we are obviously pleased with this performance, we remain very aware of the need to continue to position ourselves for the future. Accordingly, we have undertaken what we believe are a remarkable number of initiatives to improve our prospects. These initiatives include the expansion of our distribution networks, the introduction of new products and the launch of new businesses. It is my pleasure to provide brief highlights of the year's activity below. A more complete description is found in the pages which follow.

Operating results

In 2000, total premiums and deposits grew by 20 per cent to almost $25 billion. Adjusting for the impact of last year's purchase of a disability block that added $766 million to revenues, the growth was actually 25 per cent. Investment income remained largely unchanged from the prior year at $4.4 billion, despite a decline in interest rate levels and the weakness in global equity markets. Other revenue, consisting principally of fees on our wealth management business, grew by 27 per cent to $1.3 billion. Shareholders' net income grew by 23 per cent over the prior year to $1,075 million, making Manulife the first Canadian insurance company to ever surpass the one billion dollar mark in earnings. As a result of the growth in net income and well timed common share buybacks early in the year, earnings per share increased by 27 per cent to $2.22.

United States

In the U.S., Manulife is a highly regarded provider of financial protection and wealth management solutions to financially sophisticated consumers. This strategic positioning has translated into outstanding growth across all three of our U.S. businesses. Premiums and deposits increased to $16 billion in 2000, a 32 per cent increase from the prior year as a result of record sales of insurance, variable annuities and 401(k) pension products. Net income from the U.S. was $477 million in 2000, up from $365 million in 1999.

There are a number of reasons for this outstanding performance. Demand for all three of the product lines we have chosen to concentrate in has been very strong, supported by favourable demographics

and a buoyant economy. The quality of our product offerings is second to none. Comparisons are continuously made and care is taken to ensure that our products are as up to date and value creating for the customer as possible. Investment in technology has also been maintained at a very high level so as to deliver customer service in a convenient and cost-efficient manner. Both our variable annuity and pension business, where measurements are regularly made by independent bodies, have been the recipients of awards for their quality of service. The investment management options offered to clients are also of a very high quality across all product lines. Investment performance is monitored continuously and changes of fund managers made whenever necessary. All three businesses have been successful in growing and diversifying their distribution capabilities. Today, Manulife products in the U.S. are available through banks, national and local broker dealers, producer groups, wire houses, Third Party Administrators, financial planners as well as the traditional independent agents. Manulife's distribution capabilities are increasingly recognized as being among the most effective in the marketplace. We are optimistic that opportunities to lever this competence over complementary products will present themselves.

Of all of our many successes over the past few years, we are particularly proud of the transformation that has occurred in our U.S. Division. Where we once had only one line of business that was increasingly vulnerable, today we enjoy three robust and rapidly growing businesses. Needless to say, our success in the highly competitive and large American marketplace gives us confidence that we can do well in other parts of the world.

Canada

In 2000, the Canadian Division delivered strong results – with significant increases in both profit margins and market share. Total premiums and deposits increased by 10 per cent to $5.3 billion on a comparable year over year basis. New annualized premium sales for the Insurance business increased by 81 per cent to $439 million. This reflected the strong growth in the Group Benefits business, which won a number of large new accounts, together with a healthy growth in all our lines of business in Canada. The increased revenues together with a noticeable improvement in the unit costs of all business lines were the key factors making it possible for the Canadian operations to report a year over year increase in earnings of 18 per cent to $275 million.

Distribution capacity in Canada was considerably expanded with a number of new marketing alliances. Individual products are now distributed through an ever increasing number of life insurance advisors, financial planners, stockbrokers and general agents while group products are made available through employee benefit consultants and consulting actuaries. Internet services were upgraded and now advisors and customers can inquire and make changes to their investment holdings electronically. Also noteworthy was the launch of ManulifeDirect, which offers term insurance over the Web to those customers who do not require the help of a professional advisor. A very broad base of distribution provides a strong platform for future growth.

In December 2000, two important acquisitions were announced, both of which will close in early 2001. We agreed to acquire Commercial Union's Canadian Life insurance operations, which will add approximately $1 billion to funds under management and $115 million to premiums and will give us capability in critical illness products. We also announced the purchase from Zurich Canada of its Group Life and Health operations, which will add some $100 million to annual premiums and improve our market share in the small case segment of the group benefit market.

Asia

All of our businesses in Asia had a good year in 2000 as total premiums and deposits grew to $2.5 billion, up 29 per cent from the prior year and net income rose even more sharply, by 39 per cent, to $193 million. All eight of Manulife's operations in the region contributed to the excellent results.

Our flagship operation in Hong Kong had another strong year as it moved up to second place in market share of individual insurance sales. Also, we established ourselves as the leading insurance company in the Mandatory Provident Fund with close to 300,000 participants. Deposits from this expanded client base will begin early in 2001. In the People's Republic of China, our joint venture in Shanghai completed its fourth year of operation, expanded its sales force to 2,000 strong and achieved sales growth of 71 per cent over 1999. We are ready for an expansion into other regions of China and anticipate that once China has acceded to the WTO, the authorities will extend our license

return on equity **exceeded 16%** and,
in the first full year as a public company,
our stock price **increased by 154%**

beyond Shanghai. In Vietnam, our experience has been excellent. Demand for our products has exceeded expectations and we now have a field force of 1,700 agents in Hanoi and Ho Chi Minh City.

In Japan, in our second year of operation, new agent compensation arrangements were put into effect, new products were introduced, the distribution network was restructured and substantial reductions in operating costs were made. Premiums and deposits grew by 46 per cent over the prior year. Perhaps most importantly, we successfully negotiated the acquisition of the inforce block of Daihyaku Mutual. This transaction will add 1.5 million policies, $2 billion of annualized premiums and nearly $17 billion in tangible assets to Manulife's operations in Japan. The acquisition, which is scheduled to close on April 2, 2001, will reunite the 4,700 Manulife sales agents in Japan with their original customer base and will give us a substantial and viable operation in this market much earlier than planned. The Japanese financial services industry is undergoing profound change. We are very excited about the opportunities that this change will present.

The success story is similar in our other Asian operations: Philippines, Indonesia, Taiwan and Singapore where we continue to leverage our global expertise to provide products that are attractive to our local customers. Manulife is very proud of its long history in the region where we have operated for more than one hundred years. Despite difficulties that may be encountered from time to time, such as the completely unfounded dispute that arose during the year concerning ownership of shares in our Indonesian subsidiary, our commitment to Asia is firm and we expect our business there to continue to grow at a fast pace.

Reinsurance

In 2000, reinsurance premiums decreased by six per cent to $768 million as growth in financial reinsurance of property and casualty risks was more than offset by a planned decline in the accident and health line and a contraction in life retrocession premiums. Income for the year of $108 million was up marginally from a $105 million in 1999.

The past few years have been challenging for the Reinsurance Division largely due to adverse claims experience in the medical and personal accident pools in which the Division now no longer participates. Going forward, the Division will focus on growing its leadership position in the life retrocession business and developing its financial reinsurance activities.

Investments

Total funds under management grew by 10 per cent to $123.5 billion, despite the end of year weakness in global equity markets. Of this amount, approximately 63 per cent is managed by Manulife and 37 per cent by outside fund managers. Clients are offered a full range of investment management choices and it is gratifying that a large number of both individual and institutional clients are choosing to have their savings managed by our Investment Operation.

Approximately one half, $63 billion, of the funds under management are segregated or separate account assets, where the investment performance is directly attributable to the account owner. The other half are "on-balance sheet assets," which support liabilities and total equity. The yield on invested assets was 8.6 per cent in 2000, compared with nine per cent in the previous year. The decline is explained by the generally lower level of interest rates that prevailed during the year, which was only partially offset by improved returns from real estate and other asset categories.

The quality of our balance sheet remained extremely high, reflecting our conservative approach to both provisions and valuations.

Employees, partners and customers

Needless to say, we are very proud of the year's achievements and are excited about our prospects for the future. Clearly, this success would not be possible without the dedication and commitment of our employees, agents and business partners, who distinguish themselves by the quality of the work that they do for Manulife and our clients. I thank them for this effort.

In November of 2000, we made available a share ownership plan enabling employees to purchase stock in the Company. It is gratifying to report that almost 70 per cent of eligible employees have elected to become owners of Manulife, indicating that they share our confidence for our future.

I would also like to thank our millions of customers around the world. Today's markets offer you and your advisors a great variety of choice, and we appreciate that you have chosen Manulife for your financial protection and wealth management needs.

D D'Alessandro

Dominic D'Alessandro
President and Chief Executive Officer

a global leader

United States

- 32% growth in premiums and deposits in 2000
- #2 in small plan 401(k) pension products (based on new and transfer plans) focused on companies with 250 or fewer employees
- #6 in non-proprietary broker-dealer variable annuity market (based on new deposits), selling to affluent individuals
- a leader in life insurance and customized financial and estate planning solutions for high net-worth individuals with an average face value of new life insurance of U.S. $1.1 million, the highest in the industry
- 2.5% share of total individual life premiums

Canada

- 10% growth in premiums and deposits in 2000(1)
- #1 provider of life and health insurance to alumni associations
- #1 in group life and disability insurance business
- #2 in individual life insurance market (based on new premiums)
- #2 in annuity market (based on total premiums)
- #3 in segregated fund-based annuity sales
- #6 in total pension assets
- among the top 5 in life and health insurance sales to associations, retailers and financial institutions

Reinsurance

- #1 life retrocessionaire in North America
- niche player in financial and property and casualty reinsurance
- selective participant in personal accident reinsurance

Investment

- manages all of Manulife Financial's general fund assets
- offices located throughout North America, as well as London, Hong Kong and Tokyo
- Canada's largest commercial mortgage lender
- one of the largest Canadian direct owners and managers of real estate, ranked by assets and square footage

Elliott & Page

- one of Canada's oldest registered investment counselors
- one of Canada's largest managers of investment grade corporate bonds

(1) Excluding the one-time assumption reinsurance premium from Confederation Life of $766 million recorded in the second quarter of 1999.

Hong Kong & Macau

- 19% growth in premiums and deposits in 2000
- #2 in life insurance market (based on new premiums); 12% market share
- #2 in defined contribution pension plans for small and medium-sized businesses
- 22% market share in group pensions
- ranked in top 5 in group life and health plans for small and medium-sized organizations

Philippines

- #4 in total life insurance premiums, selling to upper- and middle-income individuals with 5.0% market share (based on total premiums)

Indonesia

- #4 in total life insurance premiums, selling to upper-income individuals, with 6.9% market share (based on total premiums)
- #3 in mutual fund sales with 15% market share
- #5 in group life and health insurance premiums, with 4.5% market share

Taiwan

- aggressive growth of agency force selling products to support family market, wealth creation and estate planning
- first company in Taiwan to be granted approval for an investment-linked product.

Japan

- first direct Canadian insurance investment in Japan
- 2.1% market share (based on number of new policies)
- agreement signed to acquire Daihyaku's inforce business

Singapore

- #8 life insurer with approximately 1.9% share of individual life insurance market

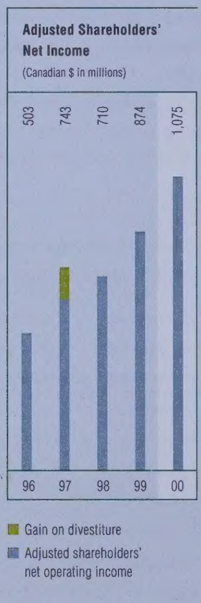
China

- second foreign insurer to be granted a licence in China
- #5 in market share in Shanghai
- first company approved to sell participating life insurance, in 2000

Vietnam

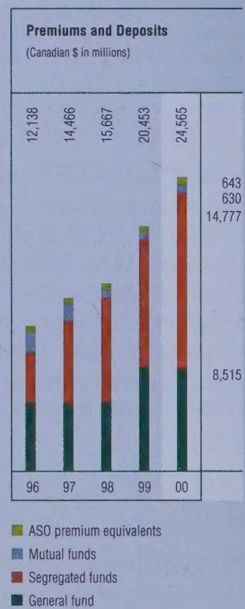
- first 100% foreign-owned life insurance company in Vietnam
- commenced operations October 1999; opened second office in Hanoi in January 2000
- more than 32,000 policyholders, 1,700 agents and 100 staff

Management's Discussion & Analysis



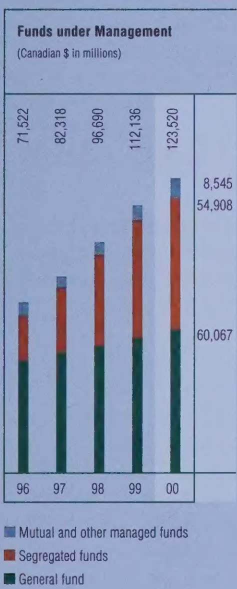
- 23% growth in adjusted shareholders' net income to $1,075 million
- Seventh consecutive year of record net adjusted shareholders' operating income

- Operating return on shareholders' equity of 16.1% and adjusted basic operating earnings per share of $2.22
- 27% growth in adjusted basic operating earnings per share

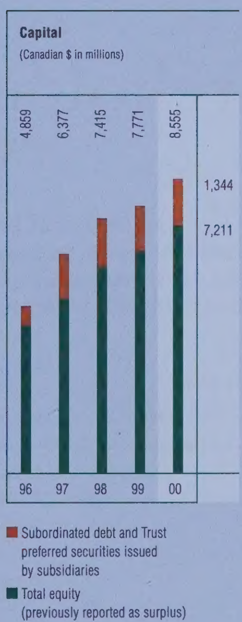


- 20% increase in total premiums and deposits
- 38% increase in segregated fund deposits

Administrative Services Only ("ASO")



- **10% increase in funds under management**
- **12% increase in segregated fund assets**
- **34% increase in mutual and other managed funds**



- **Total equity of $7.2 billion**
- **Total capital of $8.6 billion**
- **Manufacturers Life's MCCSR ratio was 238%**

The MCCSR (Minimum Continuing Capital and Surplus Requirements) is a measure of a company's capital strength. Manufacturers Life's MCCSR was 238% at year-end 2000, well above the minimum prescribed by the Office of the Superintendent of Financial Institutions (Canada).

MCCSR

Year	Ratio	Required Capital	Available Capital
2000	238%	$3.4 billion	$8.0 billion
1999	239%	$3.3 billion	$7.9 billion
1998	255%	$3.0 billion	$7.7 billion
1997	251%	$2.8 billion	$7.0 billion
1996	226%	$2.5 billion	$5.6 billion

Financial Performance

Although Canadian generally accepted accounting principles ("GAAP") requires the presentation of financial information in distinct segments, the Company views the contracts comprising the general fund, segregated funds and other funds under management as alternative offerings that are managed interdependently because, typically, there are transfer options between the general fund and the segregated funds as a result of a policyholder's ability to change investment options or products. Fee income for investment management and administrative services provided to segregated funds is recorded in the general fund. As a result of similarities between general fund, segregated fund and mutual fund products from a business perspective and the many interdependencies, the Company measures certain key business indicators in aggregate. These key business indicators are (1) growth of total premiums and deposits, and (2) growth in funds under management.

Net Income

Manulife Financial reported record earnings in 2000 as shareholders' net income reached $1,075 million, an increase of 23% from adjusted shareholders' net income of $874 million reported in 1999. Shareholders' net income included a $42 million one-time reduction in tax expense in the U.S., relating to periods prior to 2000, as a result of a new IRS technical memorandum clarifying the dividends received deduction for U.S. segregated funds. Excluding this one-time reduction in tax expense, net income was $1,033 million, an 18% increase over the prior year. This increase was primarily attributable to increased sales in core insurance and wealth management businesses, along with a significant reduction in unit expenses and increased fee income from the administration of higher average segregated fund assets. These increases were partially offset by higher commissions on increased sales, primarily on variable annuity products in the United States and insurance products in Japan.

return on shareholders' equity: 16%

The return on shareholders' equity for the year ended December 31, 2000 was 16.1% compared to 14.0% for 1999. Basic earnings per share for the year ended December 31, 2000 was $2.22 compared to adjusted basic earnings per share of $1.75 in 1999. Excluding the one-time reduction in tax expense, return on shareholders' equity and earnings per share would have been 15.5% and $2.14, respectively.

Consolidated net income for the year

SUMMARY STATEMENT OF OPERATIONS

(Canadian $ in millions)	2000	1999	1998
Premium income	$ 8,515	$ 8,672	$ 5,696
Investment income	4,350	4,369	4,123
Other revenue	1,287	1,015	792
Total revenue	$ 14,152	$ 14,056	$ 10,611
Policy benefits	$ 9,335	$ 9,974	$ 7,241
General expenses	2,191	1,817	1,360
Commissions	1,086	886	758
Interest expense	191	179	158
Premium taxes	96	84	74
Non-controlling interest in subsidiaries	(151)	(114)	7
Trust preferred securities issued by subsidiaries	63	62	62
Total policy benefits and expenses	$ 12,811	$ 12,888	$ 9,660
Income before income taxes	$ 1,341	$ 1,168	$ 951
Income taxes	(273)	(302)	(241)
Net income	$ 1,068	$ 866	$ 710
Net loss attributable to:			
Participating policyholders (after demutualization)	$ (7)	$ (8)	$ –
Net income attributable to:			
Shareholders (after demutualization)	$ 1,075	$ 267	$ –
Mutual operations (prior to demutualization)	–	607	710
Adjusted shareholders' net income	$ 1,075	$ 874	$ 710
Net income	$ 1,068	$ 866	$ 710

Premiums and Deposits

Premiums and deposits increased by 25% to $24.6 billion in 2000 from $19.7 billion for the year ended December 31, 1999, after excluding a one-time assumption reinsurance premium of $766 million relating to the pre-liquidation liabilities of the Canadian group life and health business of Confederation Life Insurance Company ("Confederation Life"), recorded in the second quarter of 1999. This increase was primarily due to a 38% increase in segregated fund deposits to $14.8 billion in 2000 from $10.7 billion in 1999 and an 8% increase in premiums, to $8.5 billion in 2000 from $7.9 billion in 1999, excluding the one-time assumption reinsurance premium from Confederation Life. The increase in segregated fund deposits was primarily due to strong sales of both 401(k) pension and variable annuity products in the United States and segregated fund products in Canada. Premiums increased as a result of higher annuity sales in the United States, an increase in group life and health insurance premiums in Canada (after excluding the one-time assumption reinsurance premium), and higher sales of insurance products across the Asian Division.

Taxes, levies and assessments are a significant component of Manulife Financial's expenses. In addition to income and capital-based taxes, the Company is subject to other taxes reported as part of the Company's operating expenses, including property and business taxes, premium taxes, employer payroll taxes, commodity and consumption taxes, and Canadian investment income taxes. Total taxes, levies and assessments, excluding income and capital-based taxes, which are recorded separately as income taxes in the Consolidated Statements of Operations, amounted to $257 million in 2000 compared to $243 million in 1999.

PREMIUMS AND DEPOSITS

(Canadian $ in millions)	2000	1999	1998
General fund premiums	$ 8,515	$ 8,672	$ 5,696
Segregated fund deposits	14,777	10,709	8,846
Mutual fund deposits	630	522	601
ASO premium equivalents	643	550	524
Total	$ 24,565	$ 20,453	$ 15,667

premiums and deposits increased by 25%

Investment Income

Investment income remained unchanged at $4.4 billion in 2000. The impact of a higher average level of general fund invested assets of $54.9 billion compared to $51.8 billion in 1999, continued improvement of real estate markets along with higher oil and gas prices, was offset by the effect of lower yields on fixed-income investments and the weak performance of worldwide equity markets. Approximately 26% of stocks support the Company's participating policies and the impact of a decrease in investment income from these stocks is substantially offset by a change in actuarial liabilities. The remaining 74% of stocks support other actuarial liabilities and the Company's capital. Investment income on these stocks impacts the Company's net income. Provisions against impaired assets increased to $100 million in 2000 from $58 million in 1999. The establishment of provisions against U.S.-denominated high yield bonds in 2000 was partially offset by recoveries in the real estate and mortgage portfolios. As a result of the aforementioned, total investment yield decreased to 8.58% from 9.01% in 1999.

INVESTMENT INCOME

(Canadian $ in millions)	2000	1999	1998
Gross investment income before:	$ 3,807	$ 3,640	$ 3,535
Provisions for impaired assets	(100)	(58)	(61)
Amortization of net realized and unrealized gains	643	787	649
Total	$ 4,350	$ 4,369	$ 4,123
Yield	8.58%	9.01%	8.77%

Other Revenue

Other revenue increased by 27% to $1.3 billion in 2000 from $1.0 billion in 1999. This increase was primarily attributable to a 25% increase in fees to $1.1 billion in 2000 from $890 million in 1999. The increase in fee income was attributable to growth in the Company's 401(k) pension assets and variable annuity products in the United States, segregated fund assets in Canada and variable universal life assets in Hong Kong, together with an increase in fees from the provision of investment management services to institutions. Fees derived from the administration of segregated funds increased by 31% in 2000 and accounted for 85% of fee income in 2000 and 81% in 1999.

Policy Benefits and Expenses

Policy benefits increased to $9.3 billion in 2000 from $9.2 billion in 1999, after excluding the reserves established, relating to the assumption reinsurance agreement with the liquidator of Confederation Life. A $780 million increase in death and disability and maturity and surrender benefits, and a $298 million increase in net transfers to segregated funds, was partially offset by a $1.0 billion decrease in change in actuarial liabilities.

The increase in death and disability claims was a result of larger inforce insurance blocks in Canadian, Reinsurance and Asian Divisions. Maturity and surrender benefits increased in the United States, Japan and Hong Kong. In the United States, the increase in surrenders was consistent with a larger inforce block, while in Japan, Manulife Century Life Insurance Company ("Manulife Century") completed the planned transfer of a large pension plan assumed from Daihyaku Mutual Life Insurance Company ("Daihyaku") to a third party. In Hong Kong, surrenders increased as clients reassessed their pension arrangements in anticipation of the implementation of the newly legislated Mandatory Provident Fund program.

The increase in actuarial liabilities was lower in 2000 compared to 1999, reflecting a higher proportion of variable business and a planned reduction of single premium endowment products in Japan. The increase in net transfers to segregated funds was primarily attributable to increased sales of U.S. Division's annuity products that were transferred to segregated funds as part of the dollar cost averaging program, reflecting continued customer preference for variable annuity products offering equity market participation.

Policyholder dividends and experience rating refunds increased by 16% to $859 million in 2000 from $738 million in 1999. Policyholder dividends increased by 15% primarily due to continued growth in cash values of participating policies.

General expenses increased by 21% to $2.2 billion in 2000 from $1.8 billion in 1999. This increase was primarily attributable to costs associated with the first full year of operations in Japan, increased new business acquisition costs and continued investments in technology and back-office and distribution infrastructure to support higher sales and asset growth.

Commissions increased by 23% to $1.1 billion in 2000 from $886 million in 1999, primarily due to higher sales of variable annuities in the United States and of insurance products in Japan, as agent compensation in Japan was restructured from a fixed to a variable basis. In Canada, commissions increased as a result of sales costs for insurance and wealth management products.

Interest expense increased by 7% to $191 million in 2000 from $179 million in 1999. Premium taxes increased by 14% to $96 million from $84 million in 1999, due to an increase in premiums.

Non-controlling interest in subsidiaries generated a recovery of $151 million in 2000 compared to $114 million in 1999, primarily reflecting the attribution of all losses incurred by the operation in Japan to Daihyaku.

Income taxes increased to $315 million in 2000 from $302 million in 1999, after excluding the $42 million one-time reduction in tax expense. The Company's 2000 provision for income taxes of $315 million is comprised of $284 million of current taxes payable and $31 million of future taxes. The increase in the income tax expense reflects the increase in taxable earnings.

Funds under Management

Funds under management increased by 10% to $123.5 billion in 2000 from $112.1 billion in 1999. Segregated fund assets increased by 12% to $54.9 billion as at December 31, 2000 from $49.1 billion as at December 31, 1999. This increase was primarily due to continued strong sales of U.S. 401(k) pension products and variable annuities, net new segregated fund deposits in Canada and the strengthening of the U.S. dollar. This increase was offset by a reduction in the market value of assets, as a result of the weak performance of worldwide equity markets. General fund assets grew by 6% to $60.1 billion as at December 31, 2000 from $56.7 billion as at December 31, 1999, reflecting growth in assets supporting insurance and annuity businesses and shareholders' equity.

FUNDS UNDER MANAGEMENT

(Canadian $ in millions)	2000	1999	1998
General fund	$ 60,067	$ 56,708	$ 53,102
Segregated funds	54,908	49,055	38,200
Mutual funds	1,563	1,641	1,708
Other managed funds	6,982	4,732	3,680
Total	$123,520	$112,136	$ 96,690

Other managed funds represent pension funds, pooled funds, endowment funds and other institutional funds managed by the Company on behalf of others.

Segregated fund assets, mutual fund assets and other managed funds are not available to satisfy the liabilities of the Company's general fund.

Differences between Canadian and U.S. GAAP

The consolidated financial statements of Manulife Financial are presented in accordance with Canadian GAAP. Canadian GAAP differs in certain significant respects from U.S. GAAP.

The differences between Canadian GAAP and U.S. GAAP include accounting for premiums and deposits, invested assets and investment income and segregated funds. There are also differences in the calculation and accounting for actuarial liabilities and differences in reporting policy cash flows. These differences are described in more detail in Note 18 to the Financial Statements.

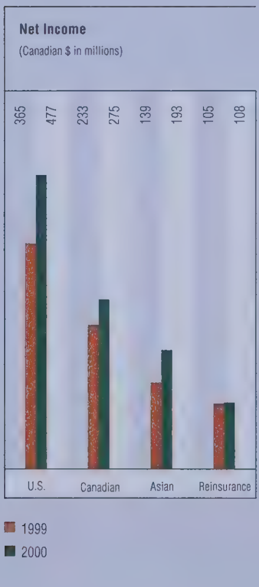
Differences between Canadian and Hong Kong GAAP

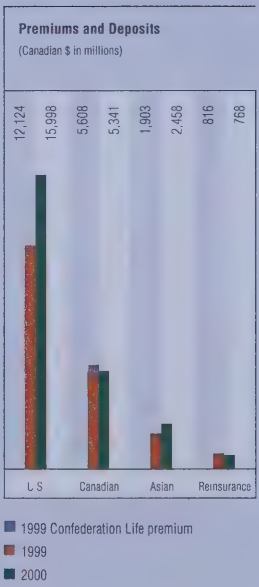
The consolidated financial statements of Manulife Financial are presented in accordance with Canadian GAAP. Canadian GAAP differs in certain respects from Hong Kong GAAP.

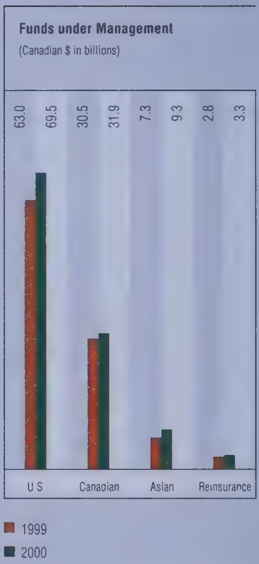
In Hong Kong, there are no accounting standards specific to life insurance companies; consequently, companies have more discretion in selecting appropriate accounting principles to prepare financial statements. The Canadian GAAP requirements for life insurance enterprises used by the Company in relation to its invested assets and non-actuarial liabilities are considered acceptable within the Hong Kong accounting framework. The computation of actuarial liabilities in Hong Kong is governed by the requirements of the Hong Kong Insurance Authority. In certain interest rate environments, actuarial liabilities determined in accordance with Hong Kong GAAP may be higher than actuarial liabilities computed in accordance with Canadian GAAP.

The Hong Kong Insurance Authority requires that insurance companies meet minimum solvency requirements. Each year, the Company compares the amount of net assets prepared in accordance with Canadian GAAP, as reported in the Company's annual regulatory return, with the minimum solvency margin required in Hong Kong. As at December 31, 2000, the Company's net assets determined in accordance with Canadian GAAP exceeded the minimum solvency margin required in Hong Kong.

Divisional Overview







Record earnings in all Divisions as follows:

- **U.S. Division $477 million**
- **Canadian Division $275 million**
- **Asian Division $193 million**
- **Reinsurance Division $108 million**

Strong increases in premiums and deposits:

- **U.S. Division 32%**
- **Canadian Division 10%[1]**
- **Asian Division 29%**

(1) Excluding the one-time assumption reinsurance premium from Confederation Life of $766 million recorded in the second quarter of 1999.

Total increase in funds under management:

- **U.S. Division 10%**
- **Canadian Division 4%**
- **Asian Division 29%**

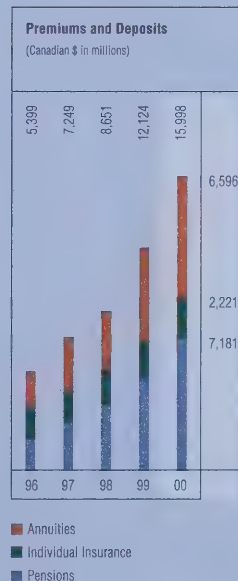
U.S. Division

The U.S. Division provides insurance and wealth management products and services to select markets. The Division's Insurance operation focuses on the sale of life insurance products to high net-worth individuals. Wealth Management services includes the Annuities operation, which focuses primarily on middle- and upper-income individuals, and the Pensions operation concentrating on small and medium-sized businesses.

Financial Performance

The U.S. Division's net income increased by $112 million to $477 million in 2000 from $365 million in 1999, inclusive of a $42 million one-time reduction in tax expense, for periods prior to 2000, as a result of a new IRS technical memorandum clarifying the treatment of the dividends received deduction for U.S. segregated funds. Excluding this one-time reduction in tax expense, net income increased by 19% over 1999 to $435 million in 2000. This growth was a result of record sales in all three U.S. businesses and a significant reduction in unit costs. Fee income increased by 31% primarily as a result of net new deposits and higher average assets under management in the segregated fund variable annuity, 401(k) pension and variable insurance businesses. The Division continued its investment in technology, distribution and back-office infrastructure.

In 2000, the U.S. Division contributed 44% to the Company's net income, 65% of total premiums and deposits and as at December 31, 2000, accounted for 56% of the Company's funds under management.



SUMMARY STATEMENT OF OPERATIONS

(Canadian $ in millions)	2000	1999	1998
Premium income	$ 3,348	$ 3,093	$ 1,814
Investment income	1,925	1,888	1,888
Other revenue	885	678	518
Total revenue	$ 6,158	$ 5,659	$ 4,220
Policy benefits	$ 4,055	$ 3,920	$ 2,765
General expenses	759	625	507
Commissions	600	467	327
Other	99	86	85
Total policy benefits and expenses	$ 5,513	$ 5,098	$ 3,684
Income before income taxes	$ 645	$ 561	$ 536
Income taxes	(168)	(196)	(185)
Net income	$ 477	$ 365	$ 351

Premiums and Deposits

Premiums and deposits increased by 32% to $16.0 billion in 2000 from $12.1 billion, as a result of record sales of insurance, variable annuity and 401(k) pension products. Segregated fund deposit growth was the major contributor to this increase and was driven by increased Annuities productivity from the expanded wholesaling team, effective penetration of the Pension 401(k) broker dealer market and the success of the multi-channel Insurance distribution strategy. Growth in general fund premiums was largely the result of Annuity sales from the dollar cost averaging program, which allows pre-authorized periodic transfers from the fixed-rate general fund portfolio to a segregated fund.

PREMIUMS AND DEPOSITS

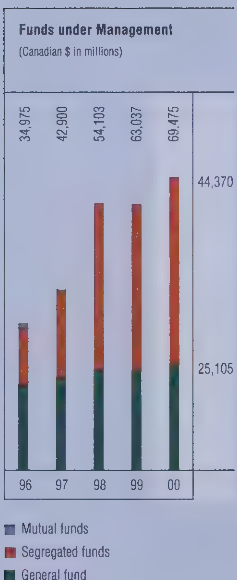
(Canadian $ in millions)	2000	1999	1998
General fund premiums	$ 3,348	$ 3,093	$ 1,814
Segregated fund deposits	12,650	9,031	6,837
Total premiums and deposits	$ 15,998	$ 12,124	$ 8,651

Funds under Management

Funds under management increased by 10% to $69.5 billion in 2000 from $63.0 billion in 1999, despite weak overall performance of U.S. equity markets, which depressed asset values. This increase was largely due to growth in segregated fund assets from net new deposits on 401(k) pension, variable annuity and variable insurance products and the strengthening of the U.S. dollar.

FUNDS UNDER MANAGEMENT

(Canadian $ in millions)	2000	1999	1998
General fund	$ 25,105	$ 23,648	$ 23,879
Segregated funds	44,370	39,389	30,224
Total funds under management	$ 69,475	$ 63,037	$ 54,103



Distribution Excellence

In 2000, all three U.S. businesses generated record sales as the U.S. Division continued to build and develop its multi-channel distribution network. All three businesses are working together in joint sales efforts to take advantage of existing distribution channels and the natural synergies that exist among the lines of business.

Insurance operations has been highly successful in diversifying distribution capabilities while at the same time continuing to nurture traditional relationships, resulting in record sales. The many new relationships established in recent years with national and local broker dealers, national and local producer groups and banks are strong contributors to the sales success.

Annuities is recognized as a leading variable annuity provider in the broker dealer distribution channel. Manulife Wood Logan provides sales and marketing support for Annuities and has grown to more than 80 Wholesalers in 2000 from 65 in 1999. The larger team has provided the tactical resources to successfully expand the Company's focus on financial planners and major producers while building on the existing distribution strength with national wire house firms. All of these initiatives combined to produce record annuity sales in 2000.

Pensions continues to maintain its leadership position with Third Party Administrators, key distributors in the 401(k) marketplace. Its strategy for penetrating the broker dealer channel continues to be a major area of focus and significant progress has been made, particularly among financial planners. Success in increasing the penetration within these two channels has again delivered record sales in 2000.

Customer Value

The commitment to providing innovative products and superior customer service and value continued to be a high priority for the U.S. Division in 2000.

Insurance operations capitalized on its ability to quickly bring new offerings to the marketplace to complement its broad offering of products. In 2000, new term, universal life and variable life plans were launched. Annuities focused on its popular variable products featuring attractive options such as a bonus annuity, guaranteed income rider and death benefit protection. As a result of the successful launch of the Personal Brokerage Account by the Pensions operations, customers can now utilize virtually any stock or mutual fund as the underlying investment within their 401(k) plan. In addition, Group Pensions, in partnership with mPower, now offers on-line investment advice to its customers.

net income up $112 million

Each of the businesses has embarked on initiatives to streamline the delivery of service and expand training and staff development to deliver high quality customer service. With the receipt by Annuities of the Annuity Service Provider Award (1998 – 1999), the Key Honors Award (2000) and top quartile ratings from DALBAR Inc., an independent rating organization, efforts to date have been successful. The Pensions business is recognized for its strength in customer intimacy. Participation in a 2000 study of 401(k) plan record keepers produced superior ratings, with high levels of customer satisfaction in the key areas of investments and education.

The U.S. Division continues to make enhancements to the common investment platform, introduced in 1997. This extensive investment offering is designed to meet customer investment needs across all three businesses. Expansion of the investment offerings continued in 2000 with the addition of eight new funds and four new managers. Customers now have access to a total of 48 mutual funds and 19 world class investment managers, as well as a broad array of asset classes and a full range of investment styles.

Technology

In 2000, all three businesses demonstrated continued commitment to the development and leveraging of technology with a focus on the Internet and e-commerce. Technology is a key growth driver for the U.S. Division, playing a crucial role in servicing clients and supporting the Division's distribution partners. Significant resources are committed to provide customers with timely access to account information and to support the Division's intermediary relationships. A new distributor management and compensation system will provide the flexibility to support the ongoing expansion of distribution arrangements.

Insurance operations uses technology to support its increased sales volume with enhanced new business and underwriting systems. A new contact management system was introduced in 2000 as part of a major initiative to redesign the customer service process.

Annuities now offers on-line account inquiry capability to both contract owners and financial intermediaries. With the 2000 implementation of a major upgrade to its variable annuity administration system, Annuities now has the flexibility to further expand its portfolio of product offerings. Systems work is also underway to improve Annuities' customer service, allowing clients to update their investment choices via the Internet and review account information.

Pensions improved service levels by giving plan participants on-line access to their statements and enhancing its e-commerce functionality for Third Party Administrators. In addition, Pensions will soon be implementing a sales support Web site for the broker dealer distribution channel that, among other things, will provide enhanced access to data on products and funds and management information on their business relationship with Pensions.

premiums and deposits up 32%

Moving Forward

In 2001, all three businesses will continue pursuing new distribution opportunities while developing existing channels. Establishing a National Accounts Center will create synergies and streamline relationships with major distribution organizations. Insurance operations will target specific new distribution opportunities, such as expanding wholesaling capabilities with a focus on marketing variable life products to the broker dealer channel. Annuities distribution will benefit from further expansion and realignment of the Manulife Wood Logan wholesaling team to focus on channel specific distribution organizations. The expansion of Pensions distribution via the broker dealer community will be further developed while continuing the advancement of the Third Party Administrator strategy.

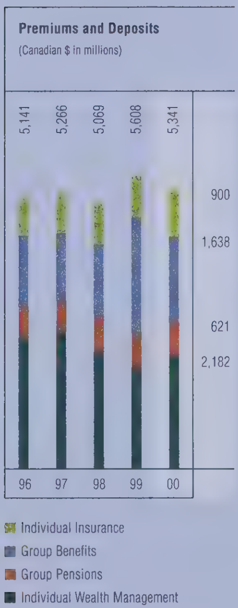
All three U.S. businesses will continue to make a significant investment in Internet and e-commerce activities. While the direct focus of this investment is on further improving the service and value provided to both customers and distribution partners, the Division also views the investment as a marketing tool. Implementation of FundNet to provide greater access to information on the funds that comprise the common investment platform and the introduction of a significant phase of a new system to manage and compensate distributors are among the many technology initiatives planned for 2001.

Creating customer value and providing service excellence will always be a priority. Product development plans for 2001 include introducing new variable insurance products, enhanced variable annuity products that allow customers to select from a variety of flexible options and augmenting fixed-return product offerings to address the needs of more conservative investors during volatile equity markets. Pensions' focus will be on improved product offerings and a refreshed investment fund line-up. Service standards will continue to be enhanced through a comprehensive ongoing review of the service infrastructure and continued investment in e-commerce capability.

In the highly competitive markets in which Manulife Financial operates, customer retention must always be a priority. All three U.S. businesses will ensure product pricing remains competitive and that customers and distribution partners are rewarded for loyalty.

Canadian Division

The Canadian Division is one of the leading life insurance based financial services organizations in Canada. Its wealth management product offerings include individual investment and banking products, annuities, group pension products and mutual funds. Insurance product offerings include a full range of group life, health, dental and disability insurance products and services for Canadian employers. Individual life insurance products are aimed at middle- and upper-income individuals and business owners. Insurance products are also directly marketed to members of professional, alumni, retiree and other associations and to the customers of financial and retail institutions.



Financial Performance

The Canadian Division's net income increased by 18% to $275 million in 2000 from $233 million in 1999. This result reflected increased fees from the administration of segregated fund assets, which grew by 13%, improvements in unit costs, reflecting increased focus on expense management across all businesses, and increased contributions from individual life insurance new business.

In 2000, the Canadian Division contributed 26% to the Company's net income, 22% of total premiums and deposits and as at December 31, 2000, accounted for 26% of the Company's funds under management.

SUMMARY STATEMENT OF OPERATIONS

(Canadian $ in millions)	2000	1999	1998
Premium income	$ 2,488	$ 3,228	$ 2,240
Investment income	1,587	1,697	1,668
Other revenue	249	197	143
Total revenue	$ 4,324	$ 5,122	$ 4,051
Policy benefits	$ 3,051	$ 3,979	$ 2,971
General expenses	595	575	495
Commissions	238	205	201
Other	90	69	66
Total policy benefits and expenses	$ 3,974	$ 4,828	$ 3,733
Income before income taxes	$ 350	$ 294	$ 318
Income taxes	(75)	(61)	(83)
Net income	$ 275	$ 233	$ 235

Premiums and Deposits

Premiums and deposits increased by 10% to $5.3 billion in 2000 from $4.8 billion in 1999, excluding the one-time assumption reinsurance premium of $766 million relating to the pre-liquidation liabilities of the Canadian group life and health business of Confederation Life recorded in 1999. Segregated fund deposits grew by 25% while fixed-rate annuity premiums decreased by 4%, both reflecting investor preference for equity products in 2000. Individual insurance premiums and deposits grew by 12%, mainly in universal life, term and disability products and group life and health premiums and ASO premium equivalents increased by 15% due to record sales and strong group benefits persistency.

PREMIUMS AND DEPOSITS

(Canadian $ in millions)	2000	1999	1998
General fund premiums	$ 2,488	$ 3,228	$ 2,240
Segregated fund deposits	1,681	1,347	1,730
Mutual fund deposits	529	483	575
ASO premium equivalents	643	550	524
Total premiums and deposits	$ 5,341	$ 5,608	$ 5,069

Funds under Management

Funds under management increased by 4% to $31.9 billion as at December 31, 2000 from $30.5 billion as at December 31, 1999, largely due to an increase in segregated fund assets, as a result of net new segregated fund deposits and despite the impact of soft equity markets.

FUNDS UNDER MANAGEMENT

(Canadian $ in millions)	2000	1999	1998
General fund	$ 21,097	$ 20,700	$ 20,203
Segregated funds	9,394	8,341	6,931
Mutual funds	1,359	1,477	1,590
Total funds under management	$ 31,850	$ 30,518	$ 28,724

Distribution Excellence

During 2000, the Canadian Division continued to enhance its distribution capabilities to drive sales growth. Building on the success of the individual distribution realignment that occurred in 1999, Manulife Select was developed to offer distributors various levels of service support from the Division's new Regional Offices, wealth management Wholesalers and individual life Actuarial Consultants. Distributors can now choose the level of technical, administrative and management services that provides the training and support they need to ensure sales and business growth.

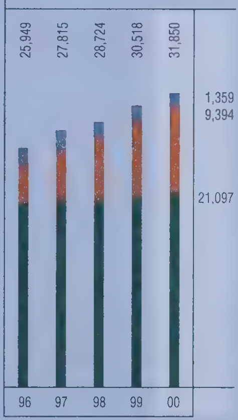
This support program, together with further penetration of existing distribution channels and expansion into new distribution markets, has contributed to a successful sales year, as the individual and group insurance operations achieved record sales and the wealth management operations delivered solid sales growth.

Continued penetration of existing distribution channels was achieved through the addition of 13 successful Managing General Agent ("MGA") firms across Canada, adding to the existing four MGAs in Quebec. The Division also expanded its use of the Internet as a sales medium with the launch of ManulifeDirect, adding individual term life insurance to those products already sold via the Internet through Affinity Markets.

Through co-operative agreements reached with PPI Partners, a large financial services marketing organization, and Great-West Lifeco Inc. ("Great-West Life") during the year, the Division increased its distribution points in the Canadian marketplace. Individual life, wealth management and group products will be marketed by PPI's sales force across Canada, increasing the Division's significant presence in the high net-worth Canadian insurance market. The distribution partnership created with Great-West Life and Freedom 55 Financial allows selected Canadian Division life insurance and wealth management products to be marketed by Great-West Life and Freedom 55 Financial advisors while Manulife Financial advisors market disability, critical illness and small group products on behalf of Great-West Life.

Group Benefits had a highly successful sales year, particularly in the large employer market. This was achieved through a combination of flexible product offerings and a strong professional distribution organization. Group Pensions' sales growth, particularly in its accumulation products, reflects a continuous improvement in product offerings and successful realignment of its distribution organization to enhance partnerships with all producer and customer groups.

Funds under Management
(Canadian $ in millions)



net income **increased by 18%**

Customer Value

The Canadian Division is dedicated to seeing things from the customer's point of view. This means doing things differently, to help Canadians make better financial decisions and get the most out of life.

The Individual insurance operation showed strong leadership in its market in 2000, as Manulife Financial became the first major Canadian insurer to add preferred "Healthstyles" underwriting to universal life products, rewarding healthier clients with lower life insurance rates. Personalized medical results were also provided to term and universal life customers through the industry leading Healthstyles report, which simplifies often complex medical information and contains key findings from medical tests conducted during the application process.

During 2000, the Canadian insurance industry was subject to scrutiny over the cost of the guarantees provided in individual segregated fund products. Through extensive market research, the Division identified continued demand for these investment products and responded with the launch of Manulife Insured Portfolio Funds. This

next generation segregated fund product allows investors to customize their portfolios to fit their own personal needs and financial goals through a series of flexible options such as maturity and death benefit guarantees, reset and death benefit options, and an investment line-up that includes a broad range of funds and investment styles.

In the fall, the Company became the first major group insurer to offer toll-free teleservice to hearing impaired clients, in addition to its nationwide fully automated, voice response enquiry system operating in the Group Benefits Customer Service Centre. These toll-free services allow customers to quickly address their specific needs.

Group Pensions' suite of 10 asset allocation funds was well accepted by customers in 2000. Revised best-of-class member statements were launched, providing member information in a progressive format, including "smart text." This tool will be used to provide personalized plan member information including key dates, plan changes, government legislation changes, and educational information so that individual members can make more informed choices within their plan.

Technology

Effective use of technology is critical to continued success in the competitive Canadian financial services industry. In 2000, the Division demonstrated its commitment to developing progressive technology applications, enabling delivery of efficient personalized service to customers.

The Individual insurance operation successfully introduced new electronic application software ("E-app") to advisors across Canada during the year, enabling them to complete and submit life insurance applications quickly and easily. In combination with a new electronic underwriting capability, approximately 30% of E-app cases are adjudicated and approved within 24 hours, using artificial intelligence technology in an underwriting capacity.

The Canada-wide launch of a new Web site for Group Benefits' plan administrators and improvements to the plan member secure site, including enhanced electronic form submission capabilities, reflects a strategy of using technology to provide customer-focused solutions.

Group Pensions, already an industry Web site leader, introduced on-line personalized transaction detail history to its Internet site in 2000. Pension members now have on-line access to all of the information needed to actively manage their personal investments.

ManulifeDirect – term insurance purchased over the Internet

Moving Forward

Providing value to customers through high service standards and innovative product choices are key priorities of the Canadian Division. Product enhancement and development cycles are continuous and in 2001, the Division plans to introduce changes to its individual insurance and wealth management products to increase their value to consumers, further strengthening its product leadership position in these markets. To meet customer demands more quickly and provide quality customer service, the Division will continue work on the initiatives commenced in 2000 to streamline the delivery of products to market. This includes investment in technology in the front and back offices. Fund offerings supporting both insurance and wealth management products will be reviewed to ensure customers have an even broader choice of flexible investment options.

The Division will continue to focus on distribution opportunities, both through its traditional channels and the expanding MGA, strategic alliance and stockbroker channels. The interactive tools that facilitate business and knowledge transfer will continue to be enhanced – simplifying and streamlining each advisor's or customer's ability to place and manage their business with Manulife Financial. Internet and e-commerce initiatives, key to offering new solutions and new functionality, will receive high priority within the Division.

In late 2000, the Division entered into agreements to acquire two small but strategically important businesses, effective 2001. The acquisition of Zurich Life Insurance Company of Canada's Group Life and Health business (subject to regulatory approval) enhances the Division's competitive presence in the small group market and complements its existing strengths in the medium and large group markets. The acquisition of the Canadian life insurance business of Commercial Union Life Assurance Company of Canada will improve the Division's existing insurance business by adding new products, and by expanding distribution capacity. This agreement will make the Division a leading provider in the critical illness insurance market in Canada.

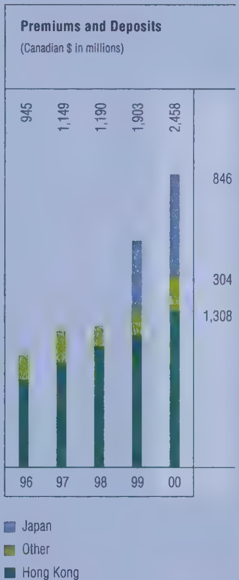
Asian Division

Manulife Financial has operated in Asia since 1897, beginning in Hong Kong and the Philippines, expanding into Singapore, Indonesia, Taiwan and, more recently, into Shanghai (China), Japan and Vietnam. The Asian Division provides a wide range of wealth management and insurance products including pensions and mutual funds and individual and group life and health insurance.

Financial Performance

The Asian Division's net income increased by 39% to $193 million in 2000 from $139 million in 1999. This increase was primarily attributable to business growth in the Hong Kong Individual and Group Pension lines, increased fees from administration of variable universal life insurance products in Hong Kong, increased sales of whole life, term and medical insurance products in Japan and improved unit expenses in Japan and Hong Kong.

In 2000, the Asian Division contributed 18% to the Company's net income, 10% of premiums and deposits and as at December 31, 2000, accounted for 8% of the Company's funds under management. Hong Kong continues to be Manulife Financial's largest operation in Asia, accounting for 53% of Asian Division's premiums and deposits in 2000.



SUMMARY STATEMENT OF OPERATIONS

(Canadian $ in millions)	2000	1999	1998
Premium income	$ 1,911	$ 1,533	$ 885
Investment income	353	310	212
Other revenue	80	69	47
Total revenue	$ 2,344	$ 1,912	$ 1,144
Policy benefits	$ 1,379	$ 1,244	$ 693
General expenses	667	484	227
Commissions	201	137	103
Other	(109)	(80)	33
Total policy benefits and expenses	$ 2,138	$ 1,785	$ 1,056
Income before income taxes	$ 206	$ 127	$ 88
Income taxes	(13)	12	(8)
Net income	$ 193	$ 139	$ 80

net income up $54 million

Premiums and Deposits

Premiums and deposits increased by 29% to $2.5 billion in 2000 from $1.9 billion in 1999. This increase reflects growth in individual insurance premiums across the Division and increased sales in Japan in its first full year of operations. In Japan, increased sales of whole life, term and medical products were partially offset by an expected reduction in sales of single premium endowment products as a result of the planned reduction in guaranteed interest rates earlier in the year.

PREMIUMS AND DEPOSITS

(Canadian $ in millions)	2000	1999	1998
General fund premiums	$ 1,911	$ 1,533	$ 885
Segregated fund deposits	446	331	279
Mutual fund deposits	101	39	26
Total premiums and deposits	$ 2,458	$ 1,903	$ 1,190

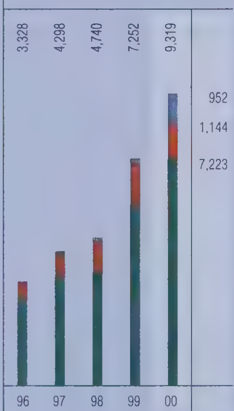
Funds under Management

Funds under management increased by 29% to $9.3 billion in 2000 from $7.3 billion in 1999, primarily due to an increase in institutional funds managed by Manulife Funds Direct and business growth across the Division, primarily in Hong Kong and Japan. General fund assets increased to $7.2 billion in 2000 from $5.8 billion in 1999, primarily due to business growth and transfers from segregated funds. Segregated fund assets decreased to $1.1 billion in 2000 from $1.3 billion in 1999, primarily due to transfers to the general fund, partially offset by net new deposits from Universal Variable Life business in Hong Kong and Singapore and from Variable Pension deposits in Hong Kong.

FUNDS UNDER MANAGEMENT

(Canadian $ in millions)	2000	1999	1998
General fund	$ 7,223	$ 5,763	$ 3,577
Segregated funds	1,144	1,325	1,045
Mutual and other managed funds	952	164	118
Total funds under management	$ 9,319	$ 7,252	$ 4,740

Funds under Management
(Canadian $ in millions)



Distribution Excellence

The Asian Division generally markets its products through agents that work exclusively for the Company because customers prefer to transact business with individuals with whom they have a personal relationship. Complementary distribution channels, such as brokers, direct marketing and sales through bank outlets account for a small share of sales, except in Singapore where bank distribution is a significant alternative sales channel.

In 2000, the Asian Division continued to significantly expand its agency force, with the number of agents increasing by 51% to 9,864. Much of this growth was experienced in new territories, such as Vietnam where, only 15 months after the commencement of operations, the agency force increased by 1,300 and reached more than 1,700 by the end of the year. In Indonesia, the agency force grew substantially to 2,400 from 1,800 a year ago. Despite the recent dispute surrounding the Company's purchase of a further 40% ownership stake in its Indonesian joint venture, morale among the field force remained positive as initiatives by the Company to resolve the situation help to allay agents' concerns. In Shanghai, despite changes to licensing exams, the Company significantly expanded its agency force to 1,950. In Hong Kong, new qualifying examinations for agents were introduced in 2000, resulting in a 14% reduction in life insurance agents industry-wide operating in the region. Even in this difficult market, Manulife maintained its agency force at its 1999 level of approximately 2,300.

Programs were expanded in a number of territories, including Hong Kong, Taiwan and Singapore, to provide training to agents to qualify as financial advisors, allowing them to sell a wider range of products in those territories. In Japan, agents received training to help them move to a more 'needs based' selling approach similar to that used in North America. In addition, a variable-based compensation structure was introduced. Technological enhancements to assist agents was also a priority, particularly in Hong Kong, where the field force was provided with financial planning software to offer customers a comprehensive analysis of their financial needs. In Hong Kong, the agency force focused on the delivery of Mandatory Provident Fund ("MPF") products and services to customers, and successfully gained a large market share.

premiums and deposits increased by 29%

Customer Value

The Asian Division continues to focus on bringing innovative products coupled with excellence in customer service to all of the markets in which it operates.

In 2000, the MPF legislation in Hong Kong was finally enacted and the Division launched its sales program, successfully capturing a significant share of the market. This launch included a money-backed service guarantee program, quickly recognized by competitors as offering value to customers and meeting service expectations.

The MPF advertising resulted in an overall improvement in consumer awareness of the need for retirement savings and the Division's Life Style Protector product launched in early 2000 was very well received in Hong Kong.

In Hong Kong, agents are delivering personalized service based on individual customer needs with the help of a recently completed specific information file. The Division expects to expand this concept to other Asian operations in 2001.

In Taiwan and Shanghai, the Company leveraged the success of its unit-linked products in Hong Kong and Indonesia, creating similar products that were adapted to local market needs. Unit-linked products are insurance products that also provide customers with segregated fund investment options. In the Philippines, the Company entered the Pension & Education market through its wholly owned subsidiary, Manulife Financial Plans, Inc., introducing the Company's suite of products to local consumers. Since commencement of operations in September 2000, this new company has built an agency force of 400.

In Japan, Manulife Century launched a new interest-sensitive savings rider that can be added to base term or medical insurance products to help meet the insurance needs of customers. In addition, minimum premium and face amounts for 'whole life with term rider' policies were reduced to ensure Manulife Century product offerings remain competitive.

The new Vietnam operation has exceeded expectations as the successful recruiting and training of agents drove expansion in the availability of life insurance products and services in all major cities across the country.

Technology

During 2000, the effective use of technology continued to play a key role in the success of the Division. In the high profile MPF business, Manulife implemented an imaging and workflow management system designed specifically for MPF. Developed in 1999, this technology turns traditional paper-based routines into an image-based process, dramatically increasing the speed of all administrative functions.

launched

MPF and Premier Life Style Protector

In 2000, the enhanced functionality in the Customer Call Center in Hong Kong that allows clients personalized access to account data was extended to all Individual business clients. This project was first introduced to Provident Fund members in 1999.

E-business activities continued to be a focus in 2000. An agent portal was completed during the year, enabling agents in Hong Kong and Taiwan to rapidly access a variety of Company information, such as data on new services and products. In Hong Kong, Manulife launched the first Wireless Application Protocol service for plan participants and a Web site service for employers enabling MPF customers to manage the day-to-day administration of their MPF accounts.

The Asian Division also embarked on the development of a new improved business process and a single, division-wide administration system for all Individual Insurance products, allowing each operation to develop new products more quickly and improve customer service.

Moving Forward

The Asian Division will continue to grow its business and provide quality products, services and advice in all markets in which it operates. To achieve this goal, it will continue to expand and develop its main distribution channel, its agency force, in all territories by focusing on providing them with innovative products, enabling technology and financial planning skills. In addition, the Asian Division will continue to enhance the functionality of its existing e-business service to provide more clients with an expanded range of options for communicating and conducting business with the Company through the Internet. Opportunities to acquire blocks of business will also be actively considered.

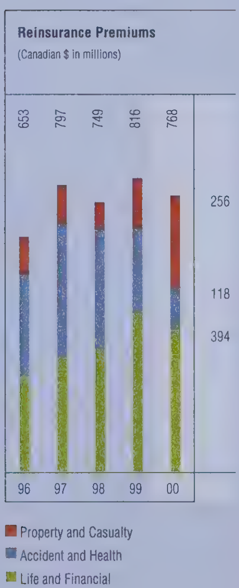
Newer operations such as Vietnam and China will continue to grow as Manulife expands its agency force and introduces more products to these markets. In China, a unit-linked equity product that is awaiting regulatory approval is expected to be launched in 2001, while in Vietnam a long-term endowment product and a term insurance plan have been submitted to the regulators for approval for launch in 2001.

In January 2001, Manulife Century was chosen by the administrators of Daihyaku to assume Daihyaku's existing insurance policies. The transaction will add scale to Manulife Century's business and position the Company well for future growth in the world's largest life insurance market.

Reinsurance Division

Established in 1984, the Reinsurance Division has grown to be one of North America's leading providers of risk management solutions, specializing in life retrocession. In the simplest terms, reinsurance refers to insurance purchased by an insurance company to cover all or part of certain risks on insurance policies issued by that company; retrocession is a form of reinsurance involving the assumption of risk from other reinsurers.

Manulife's innovative products generate customer interest worldwide, with business written in North America, Europe, Asia and Australia. Through offices in Toronto, Germany and Barbados, the Reinsurance Division provides customer-focused solutions through the following lines of business: Life and Financial (including both retrocession of traditional risk and financial reinsurance); Property and Casualty (offering specialized non-traditional retrocession for P&C reinsurers); and Accident and Health (including personal and specialized coverages).



Financial Performance

The Reinsurance Division's net income increased to $108 million in 2000 from $105 million in 1999. This result reflected growth in both the Property and Casualty and Life and Financial Reinsurance business lines partially offset by less favourable claims experience in the Accident and Health Reinsurance business line on contracts that had previously been cancelled by Manulife Financial. Investment income increased due to a higher average level of general fund invested assets supporting the business, combined with rising investment returns. Premiums and commissions in the Accident and Health Reinsurance business line continued to decline due to the Company's exit from the U.S. medical reinsurance market and from personal accident pools.

In 2000, the Reinsurance Division contributed 10% to the Company's net income, 3% of premiums and deposits and as at December 31, 2000, accounted for 3% of the Company's funds under management.

SUMMARY STATEMENT OF OPERATIONS

(Canadian $ in millions)	2000	1999	1998
Premium income	$ 768	$ 816	$ 749
Investment income	194	169	151
Other revenue	22	11	8
Total revenue	$ 984	$ 996	$ 908
Policy benefits	$ 762	$ 734	$ 729
General expenses	35	33	37
Commissions	47	76	103
Other	8	8	8
Total policy benefits and expenses	$ 852	$ 851	$ 877
Income before income taxes	$ 132	$ 145	$ 31
Income taxes	(24)	(40)	(1)
Net income	$ 108	$ 105	$ 30

net income **increased** to **$108 million**

Premium Income

Premiums decreased by 6% to $768 million in 2000 from $816 million in 1999. Property & Casualty Reinsurance premiums increased by 83% to $256 million in 2000 from $140 million in 1999 reflecting strong growth in the business. Life and Financial Reinsurance premiums decreased by 10% to $394 million in 2000 from $439 million

in 1999, which was an unusually strong sales year mainly due to the impact of an inforce retrocession contract with large premiums recorded in 1999. Accident and Health Reinsurance premiums continued to decline in 2000 due to the Company's exit from the U.S. medical reinsurance market and from personal accident pools.

PREMIUMS

(Canadian $ in millions)	2000	1999	1998
Life and Financial reinsurance	$ 394	$ 439	$ 341
Property and Casualty reinsurance	256	140	75
Accident and Health reinsurance	118	237	333
Total premiums	$ 768	$ 816	$ 749

more than **$160 billion** of
life reinsurance and retrocession **inforce**

Customer Value

In the Life and Financial reinsurance market, the Division specializes in retrocession and continues to maintain a leadership position in North America, with a portfolio of more than $160 billion in life face amount inforce as at December 31, 2000. Manulife Financial's large capital base allows the Company to offer a high capacity to clients.

During 2000, the Life retrocession business line continued to focus on a combination of new deals, product development, and the expansion of its presence as a retrocessionaire in the European market.

Through financial reinsurance products, the Reinsurance Division provides customized retrocession to life and property and casualty reinsurance companies who seek to cede or restructure a portion of their reinsurance liabilities in order to finance mergers and acquisitions, improve regulatory capital ratios, increase return on capital, improve price competitiveness or reduce the impact of financial loss.

Several significant Financial reinsurance deals, including a large mid-year transaction, contributed to the Division's growth in 2000. New product offerings include an innovative solution to the increased reserve requirements created by the National Association of Insurance Commissioners (NAIC) Regulation XXX in the United States. This product is designed to assist reinsurers who are dealing with the impact of this new regulation on their term and universal life product pricing.

As a recognized leader in the highly specialized market of property and casualty retrocession, Manulife offers non-traditional product solutions to help clients meet their financial and risk management needs. During 2000, the Property and Casualty line of business showed strong results, as market conditions and an experienced sales team generated continued interest in its innovative product line.

The Reinsurance Division selectively participates in the accident and health reinsurance market, focusing on directly underwritten personal accident business. The accident reinsurance market showed signs of hardening in 2000, leading to a more positive outlook for the new business written during the year.

Moving Forward

Moving forward, Manulife's Reinsurance Division will focus on sustaining its leadership position in the life retrocession market, while growing its life financial and Property and Casualty businesses and maintaining a disciplined approach in Accident lines of business. The development of new and innovative products will remain a key strategy.

Investments

Manulife Financial's Investment Operations manages assets for the Company's insurance and wealth management businesses and for external third party clients. Manulife is a significant player in all the asset classes that it manages, with securities management activities spanning global markets. Investment Operations is comprised of two primary business areas: Asset Origination Group and Securities Management Group.

Asset Origination Group

The Asset Origination Group includes the Mortgage and Real Estate operations located throughout North America, Manulife Capital, NAL Resources Management Limited and 80 per cent-owned Regional Power Inc. Manulife Capital focuses its activities on private placement debt and equity investments in North America. NAL Resources Management Limited manages oil and gas properties valued in excess of $450 million for the Company, as well as for other clients in Canada. Regional Power Inc. is in the business of acquiring, developing and constructing hydroelectric power plants, and is one of the three largest independent producers of hydroelectricity in Canada.

Securities Management Group

The Securities Management Group manages assets including bonds, stocks, cash and short-term investments. The group includes Elliott & Page, Manulife International Investment Management Limited ("MIIML"), investment offices in Hong Kong and Japan and Seamark Asset Management Limited, in which the Company has a 67.9% interest. Founded in 1949, Elliott & Page is one of Canada's oldest registered investment counselors. Today, Elliott & Page manages assets in excess of $40 billion for the Company as well as for institutional and individual investors. MIIML, based in London, England, manages general, segregated and mutual funds for the Company and third parties. The investment offices in Hong Kong and Japan manage assets for the Company's growing Asian operations including the assets of the recently introduced Mandatory Provident Funds in Hong Kong. Seamark Asset Management Limited specializes in the management of pension funds, endowment funds, insurance company funds and private investor assets, primarily for third parties.

continued to outperform industry benchmarks

Accomplishments

In 2000, Investment Operations continued to expand its asset management functions globally and was successful in obtaining new mandates primarily from institutional clients. The newly established Hong Kong office commenced managing assets in 2000, while the Japan office, established in 1999, was expanded.

Investment Operations continued to outperform industry benchmarks during 2000. As at December 31, 2000 more than 80% of off-balance sheet funds managed by Investment Operations posted above median one-year performance rankings, with the majority achieving first quartile results. The stock portfolio managed by MIIML significantly outperformed the benchmark, while the real estate portfolio produced above median results in both the U.S. and Canada. Other managed funds grew 48% on a global basis.

Moving Forward

Investment Operations' vision is to offer its clients competitive and innovative products and services that meet their needs, while achieving consistent superior asset returns and providing outstanding customer service through its strategy of combining traditional asset management with capital market and risk management expertise.

Investment Operations will continue to build on its strengths of combining asset management strategies with prudent risk management policies. It will continue to leverage the Company's portfolio of non-traditional assets to enhance yields and provide a competitive advantage. The Company's focus on marketing efforts and enhancing customer service, combined with a strong performance record, provides an excellent opportunity to attract external clients around the world.

general fund assets increased to $60.1 billion

General Fund Assets

Manulife Financial's general fund assets increased to $60.1 billion in 2000 from $56.7 billion in 1999. These assets are managed internally by a professional team of global investment officers. The general fund assets support $41.4 billion in actuarial liabilities and $18.7 billion in equity and other liabilities. The Company has established a target portfolio mix that takes into account the risk attributes of the liabilities, expectations of market performance and a generally conservative investment philosophy. The Company's asset mix, credit risks and market conditions are monitored continuously to ensure that they meet the Company's ongoing asset liability matching policies and liquidity requirements. The asset liability matching policies also ensure that any changes in asset values attributable to interest rate movements and foreign exchange fluctuations are substantially offset by changes in the related liability.

Manulife Financial's investment strategy is to maximize total returns subject to overall risk constraints. Investment portfolios are widely diversified across asset classes and individual investment risks.

The following table outlines the Company's investment portfolio by type of investment:

ASSETS BY CATEGORY

(Canadian $ in millions)	2000	%	1999	%
Bonds	$ 33,270	59	$ 30,853	58
Mortgages	7,174	13	6,867	13
Stocks	4,621	8	4,832	9
Real estate	3,262	6	3,179	6
Policy loans	3,616	6	3,207	6
Cash and short-term investments	3,783	6	3,047	6
Other investments	884	2	1,180	2
Total invested assets	$ 56,610	100	$ 53,165	100
Other assets	3,457		3,543	
Total assets	$ 60,067		$ 56,708	

Bonds

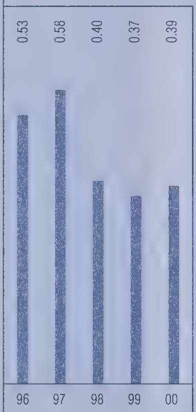
Manulife Financial's bond portfolio increased slightly to 59% of invested assets as at December 31, 2000 as a result of modestly reducing stock exposures. The bond portfolio is monitored closely to enhance yields, while optimizing the matching of asset cash flows to the estimated liability cash flows. As at December 31, 2000, 85% of the bond portfolio was rated "A" or higher and only 4% was rated below investment grade. Of the total bond portfolio, 39% was invested in government-related securities compared to 40% at 1999. The bond portfolio was 52% denominated in U.S. dollars, 35% denominated in Canadian dollars and the remainder in other currencies.

Mortgages and Real Estate

As at December 31, 2000, mortgage investments represented 13% of invested assets, with commercial mortgages accounting for 95% of total mortgages. The mortgage portfolio is diversified by location, property type and mortgagor, and consists almost entirely of first mortgages. The value of government insured loans was 4% of the total mortgage portfolio. All mortgages are secured by real properties with 66% located in Canada and 34% located in the U.S.

As at December 31, 2000, 6% of the Company's invested assets were held in real estate. The real estate portfolio focuses on top quality office buildings located in superior downtown and large suburban markets across North America. The portfolio is diversified by location and property type, with 61% located in the U.S. and 39% in Canada. Commercial office properties represented 70% of the portfolio, with the remainder split among residential, retail, industrial and other property classifications.

Net Impaired Assets
(As a per cent of net invested assets)



Stocks

As at December 31, 2000, stocks represented 8% of invested assets. Stocks are managed with the objective of earning superior returns over the longer term. While part of the stock portfolio is indexed, the strategy for the actively managed stocks is to identify and acquire undervalued stocks of companies with strong balance sheets and good earnings potential. The portfolio is diversified by industry sector and issuer and consists almost entirely of publicly traded common stocks. As at December 31, 2000, the stock portfolio invested 44% in U.S. issuers, 38% in Canadian issuers, 6% in Asian issuers and 12% in other issuers.

Impaired Assets

Allowance for losses on invested assets are established when an asset or portfolio of assets becomes impaired as a result of deterioration in credit quality to the extent that there is no longer assurance of timely realization of the carrying value of assets and related investment income. The carrying value of an impaired asset is reduced to the net realizable value of the asset at the time of recognition of impairment and a corresponding provision is charged to income.

At December 31, 2000, the level of impaired assets, net of allowance for losses, was $222 million, primarily composed of U.S. high yield bonds and commercial mortgages. The total allowance for losses increased to $162 million in 2000 from $132 million in 1999. Net impaired assets as a percentage of total invested assets increased slightly to 0.39% in 2000 from 0.37% in 1999.

Overall, Manulife Financial remains conservative in its provisioning for credit losses and the level of impaired assets continued to be minimal. The Company reviews its allowances for impaired assets on an ongoing basis in light of the investment holdings and related market trends to ensure that all exposures are adequately addressed. However, no assurance can be given that the allowances taken will in fact be adequate to cover all future losses or that additional provisions or asset write-downs will not be required in the future.

In addition to allowances for specific losses, Manulife Financial provides for future losses from asset defaults in the calculation of its actuarial liabilities. The Company follows actuarial principles to establish reserves for future losses, taking into account normal historical levels and future expectations. As at December 31, 2000, the reserve for future credit losses included within actuarial liabilities remained unchanged at $1.2 billion.

Risk Management

The Company has established risk management policies and procedures designed to measure and control risk in all of its business activities. These policies and procedures are reviewed periodically by senior management, the Board of Directors, internal and external auditors, and regulators. Under the direction of the Board of Directors, senior management develops all risk management policies. Policies and procedures with respect to asset liability mismatch risk, liquidity risk, currency risk, equity risk and credit risk are approved by the Corporate Risk Management Committee, which is a committee comprised of senior management, and by the Board of Directors. Policies with respect to pricing risk and claims risk are approved by the Appointed Actuary. The Board of Directors approves policy retention limits. All risk management policies and procedures are subject to review at least annually to evaluate their continued appropriateness. Senior management reports regularly to the Board of Directors on all key risks including, in addition to the risks identified above, legal, political, regulatory, market conduct, competitive, environmental and other operating risks.

Asset Liability Mismatch Risk

The Company's policy is to segment general fund product liabilities with similar characteristics. For each product liability segment, the Company's policy is to invest in assets with characteristics that closely match the characteristics of the product liabilities. The product characteristics considered include adjustability of credited interest rates, levels and terms of credited interest rate guarantees, anticipated incidence and potential volatility of policy benefits and policy surrender features. Asset characteristics considered include principal guarantees, levels and terms of yields, anticipated incidence and potential volatility of income, maturity terms, principal prepayment features, and marketability. As a result, products with interest rate and term guarantees, such as fixed-rate annuities and pension products are supported predominantly by fixed-rate bonds and mortgages. Products that allow adjustments to credited interest rates or premiums, such as participating whole life and universal life insurance, are supported by a broader range of assets, including real estate and equities. Further, for each product liability segment, targets are established for the proportion of assets by type, taking into consideration the characteristics of the product liabilities.

The Company may be exposed to loss of future investment income if the timing and amount of cash flows from assets supporting products with credited interest rate and term guarantees, such as fixed-rate annuities and pension products, do not match the timing and amount of payments required to be made to policyholders of these products. If cash flows from assets exceed cash flows on liabilities, and interest rates fall, the Company may be required to reinvest the excess cash flows at reduced yields. If cash flows on liabilities exceed cash flows from assets, and interest rates rise, the Company may be required to sell assets at a loss. In both cases, the Company's results of operations would be adversely impacted.

To manage this exposure, the Company has established interest rate risk policies for each product liability segment that are designed to keep potential losses within acceptable limits. Under these policies and procedures, authority and accountability for managing and monitoring interest rate risk are clearly defined by the Corporate Risk Management Committee; the duration of assets and liabilities are matched within prescribed guidelines, asset and liability positions are updated daily for material business lines, and interest rate exposure is reported to senior management. The Company employs a variety of sophisticated analytical techniques designed to quantify and manage interest rate risk, including cash flow gaps, durations, partial durations, convexity, value at risk and surplus sensitivity to predetermined scenarios.

The cash flow gap summary below shows Manulife Financial's exposure to interest rate risk on its fixed-rate pension and annuity portfolios as at December 31, 2000 and 1999.

CASH FLOW GAP

(Canadian $ in millions)	Under 1 year	1 to 5 years	5 to 10 years	Over 10 years
2000				
Canadian annuity and pension business				
Assets	$ 2,254	$ 5,664	$ 2,938	$ 8,716
Liabilities	2,265	5,676	2,916	8,715
Cash flow gap	$ (11)	$ (12)	$ 22	$ 1
Gap as a per cent of Canadian annuity and pension assets	(0.1)%	(0.1)%	0.2%	–
U.S. annuity and pension business				
Assets	$ 1,206	$ 2,625	$ 2,181	$ 7,330
Liabilities	1,335	2,769	1,924	7,313
Cash flow gap	$ (129)	$ (144)	$ 257	$ 17
Gap as a per cent of U.S. annuity and pension assets	(1.6)%	(1.8)%	3.2%	0.2%
1999				
Canadian annuity and pension business				
Assets	$ 2,940	$ 5,659	$ 2,920	$ 8,915
Liabilities	2,844	5,751	2,927	8,912
Cash flow gap	$ 96	$ (92)	$ (7)	$ 3
Gap as a per cent of Canadian annuity and pension assets	0.7%	(0.7)%	(0.1)%	–
U.S. annuity and pension business				
Assets	$ 1,390	$ 2,847	$ 1,857	$ 6,974
Liabilities	1,472	2,597	1,845	7,154
Cash flow gap	$ (82)	$ 250	$ 12	$ (180)
Gap as a per cent of U.S. annuity and pension assets	(1.0)%	3.1%	0.2%	(2.2)%

Liquidity Risk

Liquidity risk is the risk that the Company will not have access to sufficient cash to meet its liabilities as they become due. These liabilities include both normal course of business liabilities and unexpected liabilities. To address this risk, the Company's liquidity is managed centrally on the basis of cash flow forecasts and day-to-day monitoring of actual cash movements. The overall liquidity management process is governed by a number of policies and procedures designed to ensure that adequate liquidity is available. These include: designing products to reduce the possibility of unexpected liquidity demands; maintaining investment portfolios with adequate levels of marketable investments; and maintaining access to other sources of liquidity, such as commercial paper funding and committed standby bank credit facilities.

The Company maintains both an operating and strategic liquidity level. The operating liquidity level is maintained at or above the level of one month's operating cash outflows.

Strategic liquidity is measured under both immediate (within one month) and ongoing (within one year) stress scenarios, based on an industry-accepted model. Under this model, the Company's policy is to maintain liquid assets at a level above actuarial liabilities and maturing debt obligations. The liquid assets are discounted to reflect their convertibility to cash, and the actuarial liabilities are adjusted to reflect their potential for withdrawal.

The following table shows the Company's discounted liquid assets and adjusted liabilities, as calculated under the Strategic Liquidity model. Total maturing debt obligations due in the next 24 months were nil as at December 31, 2000 and 1999.

	2000		1999	
(Canadian $ in millions)	Immediate Scenario	Ongoing Scenario	Immediate Scenario	Ongoing Scenario
Discounted market value of liquid assets:				
Cash and short-term investments	$ 3,480	$ 3,480	$ 2,810	$ 2,810
Marketable securities				
Bonds	31,287	32,265	28,414	29,229
Stocks	3,319	4,024	4,638	5,612
Less: other adjustments	(1,053)	(1,856)	(1,193)	(1,894)
Liquid assets, as adjusted	$ 37,033	$ 37,913	$ 34,669	$ 35,757
Less: actuarial liabilities, as adjusted	(7,222)	(9,710)	(6,814)	(9,153)
Available liquidity	$ 29,811	$ 28,203	$ 27,855	$ 26,604
Calculated liquidity ratio	513%	390%	509%	391%

Currency Risk

Manulife Financial, because of the geographic diversification of its operations, has liabilities denominated in a variety of currencies, principally Canadian, U.S. and Hong Kong dollars, and Japanese Yen. Manulife Financial has a policy of matching the currency of its general fund assets with the currency of the liabilities these assets support. The Company also has a policy of generally matching the currency of its equity with the currency of its liabilities, designed to insulate the Company's equity to liability and MCCSR ratios from changes in foreign currency exchange rates. The Company's foreign exchange policy establishes the currencies in which the Company is authorized to transact. In addition, the policy establishes limits to foreign currency exposure as measured by Value at Risk ("VaR"), a risk management methodology based on statistical analysis. The model employed by Manulife Financial is J.P. Morgan's RiskMetrics and is an accepted methodology in the financial services industry. The VaR methodology gives a possible loss in market value of the Company's assets due to changes in foreign currency rates. Foreign currency exchange controls imposed by jurisdictions in which the Company conducts business currently have no material impact on the Company's business or operations. The Company reports its exposure to foreign currency risks regularly to the Audit Committee of the Board of Directors.

Equity Risk

The Company is exposed to equity risk through its stock holdings in the general fund and through the following segregated fund investment guarantees: maturity and death benefit guarantees on its Canadian segregated fund contracts, minimum death and income benefit guarantees on its U.S. variable annuity contracts, and minimum death benefit guarantees through reinsurance assumed under several treaties with third parties.

In the event of a severe and sustained equity market downturn, the Company could be required to strengthen policy liabilities for potential costs associated with crediting rate guarantees, and is exposed to a reduction in fee income from the administration of its segregated funds.

The direct stock holdings in the general fund represent a small fraction of the assets under management by the Company and are typically held in surplus or used to support long-term general fund policy liabilities. Where used to support policy liabilities, stocks are only a small portion of the overall asset mix for the liability segment.

The Company has developed policies and procedures intended to limit the risk associated with equities, including a policy that limits the economic value at risk on crediting rate guarantees. The Company monitors its equity risk exposure and reports this to the Board of Directors on a quarterly basis.

Credit Risk

The Company's exposure to credit risk is managed through risk management policies and procedures that emphasize the quality and diversification of the Company's investment portfolio. The Company's policies establish limits on concentration by issuer, intercorporate relationships, rating, industry sector and geographic region. All personnel are subject to limits on their ability to commit the Company to credit instruments. Credit and commitment exposure is monitored through a reporting process that includes a formal quarterly review involving senior executives from the investment and corporate operations of the Company.

Pricing Risk

The process of pricing products requires estimates of many factors, including future investment yields, mortality and morbidity experience, expenses, rates of policy termination and taxes. Pricing risk is the risk that actual experience will not develop as estimated in pricing. While many products are designed to allow adjustments to premiums or benefits for experience variations, other products do not allow such adjustments. The Company manages pricing risk by setting standards and guidelines that address pricing methods and assumption setting, pricing software, profit margin objectives, required scenario analysis, documentation and pricing approval processes. These standards and guidelines are intended to ensure that the level of risk borne by the Company is within acceptable limits. The pricing risk management process includes completion of an annual compliance self-assessment by all business units and the internal audit of business unit pricing on a rotating basis, with all units audited over a five-year cycle. The chief financial officer of each business unit is responsible for approving the design and pricing of each product to ensure the Company's standards and guidelines are met. The Appointed Actuary must approve any pricing or product design change that introduces significant new risks or design features.

Claims Risk

The Company is subject to the risk of change in the health and life expectancy of policyholders. Claims trends are therefore monitored on an ongoing basis. Manulife Financial uses both its own and industry experience to develop estimates of future claims used in pricing and in setting actuarial liabilities. The Company's claims risk management includes establishing appropriate criteria to determine the insurability of applicants as well as managing the exposure to large claims. Underwriting standards have been established to manage the initial insurability of applicants and claims adjudication standards are in place to assist in managing group life and health claims. Renewal underwriting standards are in place for business that renews on a periodic basis. Underwriting standards are reviewed periodically and approved by the Appointed Actuary. Periodic reviews are also performed to ensure compliance with these standards. Exposure to large claims is managed by establishing policy retention limits that vary by market and geographic location. Policy retention limits are reviewed periodically and approved by the Appointed Actuary. The Chief Executive Officer approves any increase in policy retention limits. Coverage in excess of the limits is reinsured with other companies. Reinsurance ceded does not discharge the Company's liability as the primary insurer. As a result of ceded reinsurance, actuarial liabilities were reduced by $1.6 billion as at December 31, 2000. In addition to using reinsurance, the Company carries coverages to insure against catastrophic events that entail aggregate claims in excess of $30 million to a maximum of $150 million.

Derivatives

The Company uses derivatives, including foreign exchange contracts, interest rate and cross currency swaps, forward rate agreements and equity options, to manage exposure to interest rate, foreign currency and equity fluctuations. In limited circumstances and when opportunities exist within asset liability matching and/or risk management parameters, the Company may use derivatives to achieve higher yields than those available from more traditional assets. The Company has developed policies and procedures intended to limit the risk associated with the use of derivatives. These include specific limits on the size of derivative transactions and authorization limits for specific personnel. In order to manage the risk of counterparty default, the Company has established counterparty exposure limits in respect of both the notional amount outstanding under derivative transactions with a counterparty and the daily marked-to-market amount of the counterparty's exposure under derivative transactions with the Company. All derivative positions relative to these limits are monitored daily and

reported to senior management monthly. In addition, all counterparties are required to meet minimum credit-rating criteria. All limits contained in the Company's derivative policies are subject to regular review by senior management for continued appropriateness. The Company's total derivative exposure is reported regularly to the Board of Directors. As at December 31, 2000, the Company had an $8.7 billion notional amount of derivatives outstanding constituting a credit risk equivalent of $257 million. This compares to a notional amount of $7.1 billion and a credit risk equivalent amount of $324 million as at December 31, 1999. See Notes 3(e) and 16 to the Financial Statements.

Other Operating Risks

Other operating risks faced by the Company include legal, tax, political, regulatory, market conduct, competitive, environmental and business continuity risks. Some of these risks are more pronounced because the Company operates in a number of different jurisdictions. Senior management develops risk identification and compliance monitoring policies and processes and internal operational controls to manage these risks. Each business unit is then responsible for identifying risks and managing them day-to-day in accordance with these policies, processes and controls. Senior management is regularly apprised of the status of these risks, and the Audit Committee of the Board of Directors is updated at least quarterly. Internal auditors review the effectiveness of internal controls and report to senior management and to the Audit Committee semi-annually. External auditors review the effectiveness of internal controls to the extent necessary to conduct an audit of the annual financial statements and report to the Audit Committee annually on matters that come to their attention as a result of such audit.

Compliance Management Program

The business operations of the Company involve a wide variety of activities which are subject to regulation in many jurisdictions. These include product design, sales and marketing practices, underwriting practices, asset management, financial reporting, employment practices and employee conduct. The objective of the Company's compliance management program is to facilitate and monitor compliance functions consistently with corporate compliance policy, thereby providing assurance to senior management and the Board of Directors that the Company's regulatory obligations are being met. The program is intended to achieve awareness of all laws that affect the Company's businesses and the status of compliance with those laws. The program is supported by a reporting process, which establishes accountability for compliance throughout the Company. An independent review and assessment of compliance controls throughout the Company is coordinated by internal auditors.

Responsibility for Financial Reporting

The accompanying consolidated financial statements of Manulife Financial Corporation are the responsibility of management and have been approved by the Board of Directors. It is also the responsibility of management to ensure that all information in the annual report to shareholders is consistent with these statements.

The consolidated financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada and the requirements of the Superintendent of Financial Institutions (Canada). Appropriate accounting policies and estimates are also used in the determination of information using generally accepted accounting principles in the United States. When alternative accounting methods exist, or when estimates and judgement are required, management has selected those amounts which present the Company's financial position and results of operations in a manner most appropriate to the circumstances.

Appropriate systems of internal control, policies and procedures have been maintained, consistent with reasonable cost, to ensure that financial information is both relevant and reliable. The systems of internal control are assessed on an ongoing basis by the Company's internal audit department.

The actuary appointed by the Board of Directors (the "Appointed Actuary") is responsible for ensuring that assumptions and methods used in the determination of policy liabilities are appropriate to the circumstances and that such reserves will be adequate to meet the Company's future obligations under insurance and annuity contracts.

The Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements. These responsibilities are carried out primarily through an Audit Committee of unrelated directors appointed by the Board of Directors.

The Audit Committee meets periodically with management, the internal auditors, the external auditors and the Appointed Actuary to discuss internal control over the financial reporting process, auditing matters and financial reporting issues. The Audit Committee reviews the consolidated financial statements and recommends them to the Board of Directors for approval. The Audit Committee also recommends to the Board of Directors and Shareholders the appointment of external auditors and approval of their fees.

The consolidated financial statements have been audited by the Company's external auditors, Ernst & Young LLP, in accordance with auditing standards generally accepted in Canada. Ernst & Young LLP has full and free access to the Audit Committee.

Signed,

Dominic D'Alessandro
President and Chief Executive Officer

Signed,

Peter Rubenovitch
Executive Vice President and Chief Financial Officer

Toronto, Canada
February 8, 2001

Appointed Actuary's Report to the Shareholders and Directors

I have valued the policy liabilities of Manulife Financial Corporation for its Consolidated Balance Sheets as at December 31, 2000 and 1999 and their change in the Consolidated Statements of Operations for the years then ended in accordance with actuarial practice generally accepted in Canada, including selection of appropriate assumptions and methods.

In my opinion, the amount of policy liabilities makes appropriate provision for all policyholder obligations and the consolidated financial statements fairly present the results of the valuation.

Signed,

Geoff I. Guy, F.C.I.A.
Executive Vice President and Appointed Actuary

Toronto, Canada
February 8, 2001

Auditors' Report to the Shareholders and Directors

We have audited the Consolidated Balance Sheets of Manulife Financial Corporation and the Consolidated Statements of Net Assets of its Segregated Funds as at December 31, 2000 and 1999 and the Consolidated Statements of Operations, Equity, Cash Flows and Changes in Net Assets of its Segregated Funds for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Canada. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company and its Segregated Funds as at December 31, 2000 and 1999 and the results of the Company's operations and cash flows and the changes in the net assets of its Segregated Funds for the years then ended in accordance with accounting principles generally accepted in Canada including the accounting requirements of the Superintendent of Financial Institutions (Canada).

Signed,

Ernst & Young LLP
Chartered Accountants

Toronto, Canada
February 8, 2001

Consolidated Balance Sheets

(Canadian $ in millions)	As at December 31	2000	1999
ASSETS	**Invested assets** (note 3)		
	Bonds	$ 33,270	$ 30,853
	Mortgages	7,174	6,867
	Stocks	4,621	4,832
	Real estate	3,262	3,179
	Policy loans	3,616	3,207
	Cash and short-term investments	3,783	3,047
	Other investments	884	1,180
	Total invested assets	$ 56,610	$ 53,165
	Other assets		
	Accrued investment income	$ 834	$ 727
	Outstanding premiums	487	357
	Future income taxes (note 5)	515	529
	Miscellaneous	1,621	1,930
	Total other assets	$ 3,457	$ 3,543
	Total assets	$ 60,067	$ 56,708
	Segregated fund net assets	$ 54,908	$ 49,055
LIABILITIES AND EQUITY	Actuarial liabilities (note 4)	$ 41,384	$ 39,748
	Benefits payable and provision for unreported claims	1,800	1,522
	Policyholder amounts on deposit	1,371	1,166
	Deferred realized net gains (note 3)	3,434	2,266
	Banking deposits	592	333
	Other liabilities	2,632	3,152
		$ 51,213	$ 48,187
	Subordinated debt (note 6)	588	582
	Non-controlling interest in subsidiaries	299	750
	Trust preferred securities issued by subsidiaries (note 7)	756	735
	Equity (note 8)		
	Participating policyholders' equity	54	61
	Shareholders' equity		
	Common shares (note 9)	612	628
	Shareholders' retained earnings	6,545	5,765
	Total equity	$ 7,211	$ 6,454
	Commitments and contingencies (note 14)		
	Total liabilities and equity	$ 60,067	$ 56,708
	Segregated fund net liabilities	$ 54,908	$ 49,055

Signed,

Dominic D'Alessandro
President and
Chief Executive Officer

Signed,

Arthur R. Sawchuk
Chairman of the
Board of Directors

Consolidated Statements of Operations

(Canadian $ in millions) For the years ended December 31	2000	1999
Revenue		
Premium income	$ 8,515	$ 8,672
Investment income (note 3(b))	4,350	4,369
Other revenue	1,287	1,015
Total revenue	$ 14,152	$ 14,056
Policy benefits and expenses		
To policyholders and beneficiaries		
Death and disability benefits	$ 2,480	$ 2,136
Maturity and surrender benefits	2,500	2,064
Annuity payments	1,235	1,267
Policyholder dividends and experience rating refunds	859	738
Net transfers to segregated funds	1,439	1,141
Increase in actuarial liabilities (note 4)	822	2,628
General expenses	2,191	1,817
Commissions	1,086	886
Interest expense	191	179
Premium taxes	96	84
Non-controlling interest in subsidiaries	(151)	(114)
Trust preferred securities issued by subsidiaries	63	62
Total policy benefits and expenses	$ 12,811	$ 12,888
Income before income taxes	$ 1,341	$ 1,168
Income taxes (note 5)	(273)	(302)
Net income	$ 1,068	$ 866
Net loss attributed to:		
Participating policyholders (after demutualization)	$ (7)	$ (8)
Net income attributed to:		
Shareholders (after demutualization)	$ 1,075	$ 267
Mutual operations (prior to demutualization)	–	607
Adjusted shareholders' net income	$ 1,075	$ 874
Net income	$ 1,068	$ 866
Earnings per share (note 11)		

Consolidated Statements of Equity

(Canadian $ in millions) For the years ended December 31	Participating Policyholders	Shareholders	2000	1999
Operating retained earnings				
Balance, January 1	$ 61	$ 5,722	$ 5,783	$ 5,762
Conversion costs (note 8)	–	–	–	(31)
Net income as a mutual operation	–	–	–	607
Balance, September 23, 1999 as restated on demutualization	$ 61	$ 5,722	$ 5,783	$ 6,338
Cash distributions by Manufacturers Life to certain participating policyholders	–	–	–	(694)
Net income (loss) as a stock company	(7)	1,075	1,068	259
Shareholder dividends	–	(193)	(193)	–
Purchase and cancellation of common shares (note 9)	–	(190)	(190)	(120)
Balance, December 31	$ 54	$ 6,414	$ 6,468	$ 5,783
Currency translation account				
Balance, January 1	$ –	$ 43	$ 43	$ 243
Change during the year as a stock company	–	88	88	(84)
Change during the year as a mutual company	–	–	–	(116)
Balance, December 31	$ –	$ 131	$ 131	$ 43
Retained earnings	$ 54	$ 6,545	$ 6,599	$ 5,826
Common shares				
Balance, January 1	$ –	$ 628	$ 628	$ –
Issue of common shares (note 9)	–	–	–	694
Initial public offering costs (note 9)	–	–	–	(58)
Purchase and cancellation of common shares (note 9)	–	(16)	(16)	(8)
Balance, December 31	$ –	$ 612	$ 612	$ 628
Total equity	$ 54	$ 7,157	$ 7,211	$ 6,454

Consolidated Statements of Cash Flows

(Canadian $ in millions) For the years ended December 31	2000	1999
Operating activities		
Operating cash inflows		
Premiums and annuity considerations	$ 8,385	$ 7,955
Investment income received	3,670	3,523
Other revenue	1,287	1,015
Total operating cash inflows	$ 13,342	$ 12,493
Operating cash outflows		
Benefit payments	$ 5,969	$ 5,334
Insurance expenses and taxes (note 5 and 6)	3,624	2,883
Dividends paid to policyholders	859	738
Net transfers to segregated funds	1,439	1,141
Change in other assets and liabilities	(460)	(502)
Total operating cash outflows	$ 11,431	$ 9,594
Cash provided by operating activities	$ 1,911	$ 2,899
Investing activities		
Purchases and mortgage advances	$ (33,882)	$ (32,354)
Disposals and repayments	33,600	30,433
Cash used in investing activities	$ (282)	$ (1,921)
Financing activities		
Increase (decrease) in repurchase agreements and securities sold but not yet purchased	$ (559)	$ 810
Shareholder dividends	(193)	–
Purchase and cancellation of common shares (note 9)	(206)	(128)
Borrowed (repaid) funds, net	(1)	51
Issue of common shares (note 9)	–	694
Payments to certain policyholders and underwriters upon demutualization (note 8)	–	(735)
Cash provided by (used in) financing activities	$ (959)	$ 692
Cash and short-term investments		
Increase during the year	$ 670	$ 1,670
Balance, January 1	2,810	1,140
Balance, December 31	$ 3,480	$ 2,810

Composition of cash and short-term investments

	2000	1999
Beginning of year		
Gross cash and short-term investments	$ 3,047	$ 1,329
Net payments in transit, included in other liabilities	(237)	(189)
Net cash and short-term investments, January 1	$ 2,810	$ 1,140
End of year		
Gross cash and short-term investments	$ 3,783	$ 3,047
Net payments in transit, included in other liabilities	(303)	(237)
Net cash and short-term investments, December 31	$ 3,480	$ 2,810

Segregated Funds
Consolidated Statements of Net Assets

(Canadian $ in millions)	As at December 31	2000	1999
	Investments, at market values		
	Bonds	$ 2,567	$ 3,188
	Stocks	49,880	42,903
	Real estate	2	7
	Cash and short-term investments	2,428	2,948
	Accrued investment income	16	24
	Other assets (liabilities), net	15	(15)
	Total segregated fund net assets, December 31	$ 54,908	$ 49,055
	Composition of segregated fund net assets:		
	Held by Policyholders	$ 54,705	$ 48,993
	Held by the Company	203	62
	Total segregated fund net assets, December 31	$ 54,908	$ 49,055

Segregated Funds
Consolidated Statements of Changes in Net Assets

(Canadian $ in millions)	For the years ended December 31	2000	1999
	Additions		
	Deposits from policyholders	$ 14,777	$ 10,709
	Realized and unrealized investment gains (losses)	(5,977)	6,199
	Interest and dividends	2,613	1,773
	Net transfers from general fund	1,439	1,141
	Currency revaluation	1,793	(2,356)
	Total additions	$ 14,645	$ 17,466
	Deductions		
	Payments to policyholders	$ 7,990	$ 5,982
	Management and administrative fees	802	629
	Total deductions	$ 8,792	$ 6,611
	Net addition to segregated funds for the year	$ 5,853	$ 10,855
	Segregated fund net assets, January 1	49,055	38,200
	Segregated fund net assets, December 31	$ 54,908	$ 49,055

Notes to Consolidated Financial Statements

(Canadian $ in millions unless otherwise stated)

Note 1 *Nature of Operations and Significant Accounting Policies*

Manulife Financial Corporation ("Manulife Financial," the "Company") is a publicly traded stock life insurance company and the insurance holding company of The Manufacturers Life Insurance Company ("Manufacturers Life") which was organized as a mutual life insurance company until September 23, 1999, on which date it demutualized (note 8). The Company provides a wide range of financial products and services, including individual life insurance, group life and health insurance, pension products, annuities and mutual funds to individual and group customers in Canada, the United States and Asia. The Company also offers reinsurance services, primarily life and accident and health reinsurance, and provides investment management services with respect to the Company's general fund assets, segregated fund assets and mutual funds and, in Canada, to institutional customers.

Manulife Financial is registered under the Insurance Companies Act (Canada) ("ICA"), which requires that financial statements be prepared in accordance with accounting principles generally accepted in Canada, including the requirements of the Superintendent of Financial Institutions (Canada) ("OSFI"), ("GAAP"). None of the accounting requirements of OSFI is an exception to accounting principles generally accepted in Canada. The preparation of financial statements, in conformity with GAAP, requires that management makes estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. The most significant estimation processes are related to the determination of actuarial liabilities. Although some variability is inherent in these estimates, management believes that the amounts provided are adequate. The significant accounting policies used in the preparation of these consolidated financial statements are summarized below:

a) Basis of consolidation

Manulife Financial consolidates the financial statements of all subsidiary companies and eliminates on consolidation all significant inter-company balances and transactions. The equity method is used to account for investments over which the Company exerts significant influence. Gains and losses on sales of these investments are included in income when realized, while expected losses on other than temporary impairments are recognized immediately.

b) Invested assets

Under GAAP for life insurance companies, the invested assets held by the Company are accounted for through a variety of methods. These methods are summarized as follows:

	Carrying value	Recognition of realized gains and losses on normal business activity	Recognition of impairment
Bonds	At amortized cost less an allowance for specific losses.	Deferred and brought into income over the lesser of 20 years or the remaining term to maturity of the bond sold.	Impairment is recognized on a specific bond when there is no longer reasonable assurance as to the timely collection of the full amount of principal and interest. In such cases, the bond is written down to its net realizable value and the charge is recorded in income in the period the impairment is recognized.
Mortgages and Loans	At amortized cost less repayments and an allowance for specific losses.	Deferred and brought into income over the lesser of 20 years or the remaining term to maturity of the mortgage or loan sold.	Impairment is recognized on a specific mortgage or loan when there is no longer reasonable assurance as to the timely collection of the full amount of principal and interest. Such impaired mortgages and loans are carried at their estimated realizable value, determined for each asset by discounting the expected future cash flows at the original interest rate inherent in the asset. When the amounts and timing of future cash flows cannot be estimated with reasonable reliability, estimated realizable amounts are measured at either the fair value of any security underlying the mortgage or loan, net of expected costs of realization and any amounts legally required to be paid to borrowers, or at observable market prices for the mortgages or loans. Mortgages and loans are classified as impaired whenever payments are three months or more in arrears or if there is a provision against the mortgage or loan. At the time of foreclosure, mortgages are written down to net realizable value. Declines in the net realizable value of foreclosed properties are charged to income immediately.
Stocks	On a moving average market basis whereby carrying values are adjusted towards market value at 15% per annum.	Deferred and brought into income at the rate of 15% of unamortized deferred realized gains and losses each year.	Specific stocks are written down to market value if an impairment in the value of the entire stock portfolio (determined net of deferred realized gains) is considered to be other than temporary.
Real Estate	On a moving average market basis whereby carrying values are adjusted towards market value at 10% per annum.	Deferred and brought into income at the rate of 10% of unamortized deferred realized gains and losses each year.	Specific properties are written down to market value if an impairment in the value of the entire real estate portfolio (determined net of deferred realized gains) is considered to be other than temporary.
Policy Loans	At their unpaid balance.	Not applicable. Fully secured by the cash surrender value of the policies on which the loans are made.	Fully secured by the cash surrender value of the policies on which the loans are made.

On disposition of an impaired asset, the allowance is written off against the related assets. Once established, an allowance against temporary impairment of bonds or mortgages is reversed only if the conditions that caused the impairment no longer exist.

In addition to specific allowances, the Company provides for potential future impairments by reducing investment yields assumed in the calculation of actuarial liabilities.

c) Actuarial liabilities

Actuarial liabilities represent the amount which, together with estimated future premiums and net investment income, will be sufficient to pay estimated future policy benefits, policyholder dividends, taxes (other than income taxes) and expenses on policies inforce. The Company's Appointed Actuary is responsible for determining the amount of actuarial liabilities that must be set aside each year to ensure that sufficient funds will be available in the future to meet these obligations. The valuation methods employed by the Appointed Actuary are based on standards established by the Canadian Institute of Actuaries. In accordance with actuarial practices generally accepted in Canada, liabilities have been determined using the policy premium method and the cash flow valuation method.

d) Other investments

Included in other investments are investments in oil and gas properties, equipment leases, limited partnerships, commercial loans, investments in segregated and mutual funds and derivative assets.

e) Miscellaneous assets

Included in miscellaneous assets are amounts due from reinsurers and capital assets. The latter are carried at cost less accumulated amortization computed on a straight-line basis over their estimated useful lives, which vary from two to ten years.

f) Segregated funds

The Company manages a number of segregated funds on behalf of policyholders. The investment returns on these funds accrue directly to the policyholders, with the Company assuming no risk. Consequently, these funds are segregated and presented separately from the general fund of the Company. Income earned from fund management fees is included in other revenue in the general fund. Investments held in segregated funds are carried at market value.

The Company also provides minimum guarantees on individual variable life and annuity contracts. These include minimum death benefit guarantees, minimum maturity value guarantees and minimum income benefit guarantees. The liability associated with these minimum guarantees is recorded in actuarial liabilities in the general fund of the Company.

g) Translation of foreign currencies

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at rates in effect at the Consolidated Balance Sheet dates. Revenue and expenses are translated at the average exchange rates prevailing during the year. Unrealized foreign currency translation gains and losses on investments in self-sustaining operations are recorded in equity. Translation gains and losses on disposition of investments in self-sustaining operations are included in income.

h) Income taxes

The Company provides for income taxes using the liability method of tax allocation. Under this method, the provision for income taxes is calculated based on income tax laws and income tax rates in effect as at the Consolidated Balance Sheet dates. The income tax provision is comprised of two components: current income taxes and future income taxes.

Current income taxes are amounts expected to be payable or recoverable as a result of operations in the current year. Future income taxes arise from changes during the year in cumulative temporary differences between the accounting carrying value of assets and liabilities and their respective tax bases. The future income tax asset is recognized to the extent that future realization of the tax benefit is more likely than not, with a valuation allowance for the excess.

i) Pensions and other post-employment benefits

The Company maintains a number of pension plans for its eligible employees and agents. Assets for each plan are held by independent trustees and are carried at market values.

The defined contribution plans were established in 1998 and provide pension benefits based on the accumulated contributions and fund earnings. The cost of defined contribution benefits is the required contribution provided by the Company in exchange for the services of employees rendered during the period.

The defined benefit plans provide pension benefits based on length of service and final average earnings. The cost of defined benefit pension benefits is recognized using the projected benefit method pro-rated on services. Experience gains and losses are amortized to income over the estimated average remaining service lives of plan members.

The Company also provides supplementary pension, health, dental and life insurance benefits to qualifying employees upon retirement. The estimated present value of these benefits is charged to earnings over the employees' years of service to their date of full entitlement.

j) Derivatives

The Company uses derivatives to manage exposures to foreign currency, interest rate and other market risks arising from its on-balance sheet financial instruments. These derivatives are designated and effective as hedges, as there is a high correlation between changes in market value of the derivative and the underlying hedged item at inception and over the life of the hedge. Realized and unrealized gains and losses on these derivatives are accounted for on the same bases as the underlying assets and liabilities. Realized and unrealized gains and losses on derivative transactions established as hedges but no longer considered hedges are included in income from the date at which they are no longer considered to be hedges. Derivative income and expenses related to invested assets and financial liabilities are included in investment income and interest expense, respectively, in the Consolidated Statements of Operations. Cash flows relating to derivatives associated with invested assets and financial liabilities are included in the Consolidated Statements of Cash Flows on a basis consistent with the cash flows from the underlying invested assets and financial liabilities. Derivative assets and liabilities are included in other investments and other liabilities, respectively, and deferred realized net gains are presented as such in the Consolidated Balance Sheets.

k) Goodwill

Goodwill represents the excess of the cost of businesses acquired over fair values assigned to the related identifiable net assets and is amortized on a straight-line basis over the expected benefit periods of up to 20 years. Unamortized goodwill is reviewed periodically for impairment by considering factors such as returns of the related business, taking into account the risk associated with the investment. When goodwill is determined to be impaired, a charge is taken to income immediately.

l) Premium income and related expenses

Gross premiums for all types of insurance contracts, and contracts with limited mortality or morbidity risk, are generally recognized as revenue when due.

When premiums are recognized, the related actuarial liabilities are computed, resulting in benefits and expenses being matched with such revenue.

m) Stock-based compensation

The Company provides compensation to certain employees in the form of stock options and deferred share units. The intrinsic value method of accounting is used and as such, no expense is recognized for stock options as the exercise price thereon is set at the closing market price of Manulife Financial Corporation common shares on The Toronto Stock Exchange on the business day immediately preceding the award grant date. When options are exercised, the proceeds received by the Company are credited to share capital.

NOTE 2 *Changes in Accounting Policies and Newly Issued Accounting Policies*

a) Income taxes

In December 1997, The Canadian Institute of Chartered Accountants ("CICA") issued Handbook Section 3465, "Income Taxes," effective for fiscal years commencing January 1, 2000. This standard requires the use of the liability method of accounting for income taxes and changes the focus from income statement timing differences to balance sheet temporary differences. The Company adopted the recommendations of this standard effective for its fiscal year commencing January 1, 1999. The impact of this change was not material to these consolidated financial statements.

b) Pensions and other post-employment benefits

In March 1999, The CICA issued Handbook Section 3461, "Employee Future Benefits," effective for fiscal years commencing January 1, 2000. This standard requires employee future benefits to be accounted for on an accrual basis, pension obligations to be discounted using a market rate of interest and pension assets to be included at market values. The Company adopted the recommendations of this standard effective for its fiscal year commencing January 1, 1999. The impact of this change was not material to these consolidated financial statements.

c) Earnings per share

In December 2000, The CICA issued Handbook Section 3500, "Earnings Per Share," effective for fiscal years commencing January 1, 2001, which requires the use of the treasury stock method of computing diluted earnings per share. The Company will adopt the recommendations of this standard on January 1, 2001. The impact of this change is not expected to materially affect the calculation of the Company's earnings per share.

NOTE 3 *Invested Assets and Income*

a) Invested assets

As at December 31 2000	Carrying value	Fair value	Unrealized gains	Unrealized losses	Deferred realized net gains (losses)	Total realized and unrealized gains
Bonds (fixed maturity)						
Canadian government	$ 7,494	$ 8,321	$ 845	$ (18)	$ 181	$ 1,008
Foreign governments	5,381	5,689	315	(7)	129	437
Corporate	18,662	18,789	589	(462)	450	577
Mortgage-backed securities	1,733	1,762	39	(10)	41	70
Mortgages	7,174	7,437	291	(28)	42	305
Stocks	4,621	4,997	659	(283)	2,544	2,920
Real estate	3,262	3,617	377	(22)	50	405
Policy loans	3,616	3,616	–	–	–	–
Cash and short-term investments	3,783	3,783	–	–	–	–
Other investments	884	980	111	(15)	(3)	93
Total invested assets	$ 56,610	$ 58,991	$ 3,226	$ (845)	$ 3,434	$ 5,815
1999						
Bonds (fixed maturity)						
Canadian government	$ 7,182	$ 7,499	$ 470	$ (153)	$ 239	$ 556
Foreign governments	5,076	4,983	59	(152)	169	76
Corporate	16,896	16,676	401	(621)	562	342
Mortgage-backed securities	1,699	1,652	10	(57)	56	9
Mortgages	6,867	6,937	200	(130)	50	120
Stocks	4,832	6,642	2,022	(212)	1,126	2,936
Real estate	3,179	3,468	342	(53)	66	355
Policy loans	3,207	3,207	–	–	–	–
Cash and short-term investments	3,047	3,047	–	–	–	–
Other investments	1,180	1,196	37	(21)	(2)	14
Total invested assets	$ 53,165	$ 55,307	$ 3,541	$ (1,399)	$ 2,266	$ 4,408

Fair values are determined with reference to quoted market prices where available. Fair values of mortgages reflect changes in interest rates which have occurred since the mortgages were originated and changes in the credit-worthiness of individual borrowers. For fixed-rate mortgages, fair value is determined by discounting the expected future cash flows at market interest rates for mortgages with similar credit risks. Fair values of real estate are determined by a combination of internal and external appraisals utilizing expected net cash flows discounted at market interest rates. Included in other investments are oil and gas properties; the fair value of which is determined by external appraisals. Fair values of policy loans, cash and short-term investments and the remaining other investments approximate their carrying values due to their short-term nature.

Foreclosed properties of $54 are included in real estate as at December 31, 2000 (1999 – $92).

The following table presents the carrying value and fair value of bonds, based on period to maturity:

Bonds

	2000		1999	
As at December 31	Carrying value	Fair value	Carrying value	Fair value
Maturity				
Due in one year or less	$ 1,438	$ 1,457	$ 2,100	$ 2,110
Due after one year through five years	7,621	7,780	8,352	8,257
Due after five years through ten years	8,221	8,365	5,617	5,492
Due after ten years	14,257	15,197	13,085	13,299
Mortgage-backed securities	1,733	1,762	1,699	1,652
Total	$ 33,270	$ 34,561	$ 30,853	$ 30,810

The following table presents the carrying value and fair value of mortgages, by type of property:

Mortgages

	2000		1999	
As at December 31	Carrying value	Fair value	Carrying value	Fair value
Residential	$ 1,536	$ 1,577	$ 1,369	$ 1,384
Office	1,708	1,781	1,594	1,610
Retail	1,958	2,036	2,036	2,080
Industrial	1,713	1,768	1,618	1,606
Other	259	272	250	257
Total	$ 7,174	$ 7,434	$ 6,867	$ 6,937

The carrying value of government-insured loans was 4.1% of the total carrying value of the mortgage portfolio as at December 31, 2000 (1999 – 4.7%) and the value of privately-insured mortgages was 0.03% of the total mortgage portfolio as at December 31, 2000 (1999 – 0.03%).

b) Investment income

For the years ended December 31	Gross investment income	Provision for impairment, net (note 3(e))	Amortization of realized and unrealized gains (losses)	Total	Yield (%)
2000					
Bonds	$ 2,305	$ (121)	$ 110	$ 2,294	7.46
Mortgages	558	17	15	590	8.97
Stocks	62	–	510	572	22.41
Real estate	260	34	44	338	11.34
Policy loans	308	–	–	308	8.99
Cash and short-term investments	128	–	–	128	3.63
Other investments	186	(30)	(52)	104	N/A
Currency	–	–	16	16	N/A
Total	$ 3,807	$ (100)	$ 643	$ 4,350	8.58
1999					
Bonds	$ 2,193	$ (101)	$ 191	$ 2,283	7.97
Mortgages	621	24	11	656	9.43
Stocks	115	–	524	639	23.03
Real estate	230	21	38	289	10.05
Policy loans	274	–	–	274	8.69
Cash and short-term investments	84	–	–	84	3.34
Other investments	123	(2)	7	128	N/A
Currency	–	–	16	16	N/A
Total	$ 3,640	$ (58)	$ 787	$ 4,369	9.01

Yields are based on total investment income divided by the average carrying value of assets plus accrued income less net deferred gains.

c) Securities lending

The Company engages in securities lending to generate additional income. Certain securities from its portfolio are loaned to other institutions for periods of time. Collateral, which exceeds the market value of the loaned securities, is lodged by the borrower with the Company and retained by the Company until the underlying security has been returned to the Company. The market value of the loaned securities is monitored on a daily basis with additional collateral obtained or refunded as the market value fluctuates. As at December 31, 2000, the Company had

loaned securities (which are included in invested assets) with a carrying value and market value of approximately $1,635 and $1,760, respectively (1999 – $1,423 and $1,410, respectively).

d) Mortgage securitization

The Company has sold for cash, with limited recourse, commercial mortgages. The maximum recourse on these mortgages is less than 10% of the proceeds. When the mortgages are sold, they are removed from the Company's balance sheet and the amortized gains are recognized in net investment income. As at December 31, 2000, outstanding balances of sold mortgages with limited recourse was $505 (1999 – $591).

e) Credit risk

Credit risk is the risk that a party to a financial instrument, such as a mortgage borrower, will fail to fully honour its financial obligations to the Company. Credit risks are primarily associated with investment, derivative and reinsurance counterparties.

The Company has provided for credit risks by establishing specific allowances against the carrying value of the impaired assets in the Consolidated Balance Sheets. In addition to specific allowances, the Company provides for potential future impairments by reducing investment yields assumed in the calculation of actuarial liabilities (note 4(c)). The carrying value of impaired assets was as follows:

As at December 31 2000	Gross amount	Allowance	Carrying value
Mortgages	$ 90	$ 33	$ 57
Other impaired assets	294	129	165
Total	$ 384	$ 162	$ 222
1999			
Mortgages	$ 133	$ 49	$ 84
Other impaired assets	195	83	112
Total	$ 328	$ 132	$ 196

The changes during the year in respect of the specific allowance for impairment were as follows:

Specific allowance for impairment	2000	1999
Balance, January 1	$ 132	$ 177
Provisions during the year	100	58
Write-offs, net of recoveries	(70)	(103)
Balance, December 31	$ 162	$ 132

In addition to specific allowances for existing impairments, actuarial liabilities include an allowance for future impairments. As at December 31, 2000, the provision for future credit losses included in actuarial liabilities was $1,221 (1999 – $1,207).

Concentrations of credit risk

The Company's exposure to credit risk is managed through risk management policies and procedures with emphasis on the quality of the investment portfolio together with maintenance of issuer, industry and geographic diversification standards.

As at December 31, 2000, 96% of bonds (1999 – 95%) were rated at investment grade "BBB" or higher, and 85% (1999 – 86%) were rated "A" or higher. Government bonds represented 39% (1999 – 40%) of the bond portfolio. The Company's highest exposure to a single non-government issuer was $451 (1999 – $678). Mortgages and real estate are diversified geographically and by property type. Ontario, Canada was the largest concentration of mortgages and real estate, with $3,424 (1999 – $3,320) of the total portfolio. Income-producing commercial office properties were the largest concentration of real estate with $2,267 (1999 – $2,108) of the real estate portfolio. As at December 31, 2000, 95% (1999 – 97%) of the stock portfolio was comprised of publicly listed corporations. The largest single issuer represented 6% (1999 – 3%) of the portfolio.

The Company's exposure to loss on derivatives is limited to the extent that default by counterparties to these contracts results in the loss of any gains that may have accrued. All contracts are held with counterparties rated "A" or higher, with 85% as at December 31, 2000 (1999 – 86%) of the exposed amount being with counterparties rated "AA" or higher. The largest single counterparty exposure as at December 31, 2000 was $9 (1999 – $39).

Note 4 *Actuarial Liabilities*

a) Composition

Actuarial liabilities represent the amount which, together with estimated future premiums and net investment income, will be sufficient to pay estimated future benefits, policyholder dividends, taxes (other than income taxes) and expenses on policies inforce. The composition of actuarial liabilities by line of business and geographic territory was as follows:

	Individual life insurance				
As at December 31 2000	Participating	Non-participating	Annuities and pensions	Other insurance liabilities	Total
United States	$ 10,896	$ 2,753	$ 5,996	$ 1,056	$ 20,701
Canada	2,476	1,615	10,554	1,642	16,287
International	2,434	988	934	40	4,396
Total	$ 15,806	$ 5,356	$ 17,484	$ 2,738	$ 41,384
1999					
United States	$ 9,836	$ 2,720	$ 6,280	$ 938	$ 19,774
Canada	2,322	1,437	11,245	1,590	16,594
International	2,016	635	707	22	3,380
Total	$ 14,174	$ 4,792	$ 18,232	$ 2,550	$ 39,748

Upon demutualization, Manufacturers Life was required, under the ICA, to maintain two separate accounts within its general fund: one for its participating policies and one for its non-participating policies. For participating policies inforce as at September 23, 1999, separate sub-accounts were established within the participating account. These sub-accounts permit this participating business to be operated as separate "closed blocks" of business.

As at December 31, 2000, 77% (1999 – 76%) of actuarial liabilities related to the participating policyholders' account are included in the closed blocks.

b) Assets backing liabilities and equity

The Company has established a target invested asset portfolio mix which takes into account the risk attributes of the liabilities supported by the assets, expectations of market performance, and a generally conservative investment philosophy. Assets are segmented and matched to liabilities with similar underlying characteristics by product line and major currency. Liabilities with rate and term guarantees, such as annuities and pensions, are predominantly backed by fixed-rate instruments such as bonds and commercial and mortgage loans. Insurance products, such as participating whole life insurance, are backed by a broader range of asset classes. The Company's equity is primarily invested in North American stocks, bonds and real estate and international securities.

Changes in the fair value of assets backing actuarial liabilities would have a limited impact on the Company's equity, as it would be offset by a corresponding change in the fair value of the liabilities. The fair value of assets backing actuarial liabilities as at December 31, 2000 was estimated at $42,754 (1999 – $40,631).

A change in the fair value of assets supporting capital and other liabilities results in a corresponding change in equity when recognized, offset by changes in related liabilities when recognized. The fair value of assets backing capital and other liabilities as at December 31, 2000 was estimated at $19,694 (1999 – $18,218).

The carrying value of total assets supporting actuarial liabilities, other liabilities and capital was as follows:

As at December 31	Individual life insurance					
2000	Participating	Non-participating	Annuities and pensions	Other	Capital	Total
Assets						
Bonds	$ 8,108	$ 2,938	$ 11,815	$ 7,919	$ 2,490	$ 33,270
Mortgages	1,094	629	3,668	1,564	219	7,174
Stocks	1,206	236	61	737	2,381	4,621
Real estate	1,291	241	44	486	1,200	3,262
Other	4,107	1,312	1,896	2,160	2,265	11,740
Total	$ 15,806	$ 5,356	$ 17,484	$ 12,866	$ 8,555	$ 60,067
1999						
Assets						
Bonds	$ 6,448	$ 2,462	$ 12,934	$ 6,546	$ 2,463	$ 30,853
Mortgages	941	260	3,845	1,511	310	6,867
Stocks	1,865	182	71	688	2,026	4,832
Real estate	1,088	41	37	349	1,664	3,179
Other	3,832	1,847	1,345	2,645	1,308	10,977
Total	$ 14,174	$ 4,792	$ 18,232	$ 11,739	$ 7,771	$ 56,708

Other includes insurance and non-insurance liabilities and non-controlling interest in subsidiaries. Capital represents total equity, subordinated debt and trust preferred securities issued by subsidiaries.

As at December 31, 2000, 77% (1999 – 76%) of assets related to the participating policyholders' account are included in the closed blocks.

The net deferred realized gains taken into account in the computation of actuarial liabilities as at December 31, 2000 were $2,082 (1999 – $1,695).

c) Significant reserve assumptions

The preparation of financial statements involves the use of estimates and assumptions; however, actual results may differ from those estimates. The most significant estimation processes for insurance companies are related to the determination of actuarial liabilities.

Actuarial liabilities have two major components, a best estimate and a provision for adverse deviation. In conjunction with prudent business practices to manage both business and investment risks, the selection and monitoring of appropriate assumptions are designed to minimize the extent to which the Company is financially exposed to measurement uncertainty.

Best estimate reserve assumptions

In the computation of actuarial liabilities, best estimate reserve assumptions are made. Assumptions are made for the lifetime of the policies and include assumptions with respect to mortality and morbidity, investment returns, rates of policy termination, operating expenses and certain taxes. Actuarial assumptions may be subject to change in the future. Actual experience is monitored regularly against the assumptions to ensure that the assumptions remain appropriate. Assumptions are discussed in more detail in the following table.

Nature of factor and assumption methodology		Risk management and sensitivity to change
Mortality and Morbidity	Mortality relates to the occurrence of death. Mortality assumptions are based on past and emerging Company and industry experience. Assumptions are differentiated by sex, underwriting class and policy type. Morbidity relates to the occurrence of accidents and sickness. Morbidity assumptions are based on Company and industry experience.	The Company establishes appropriate underwriting standards to determine the insurability of applicants. Claim trends are monitored on an ongoing basis. Exposure to large claims is managed by establishing policy retention limits which vary by market and geographic location. Policies in excess of the limits are reinsured with other companies. The maximum exposure on any one life policy as at December 31, 2000 was $23 (1999 – $22). In addition, the Company carries coverage that insures against a catastrophic event that could entail aggregate claims in excess of $30 but less than $150 as at December 31, 2000 and 1999. Mortality is monitored monthly and recent experience has been favourable when compared to the Company's assumptions. Morbidity is monitored monthly and recent experience has been consistent with the Company's assumptions, with the exception of the U.S. accident and health business which has been unfavourable when compared to the Company's assumptions.
Investment Return	The Company matches assets and liabilities by business segment, using investment objectives that are appropriate for each line of business. The projected cash flows from these assets are combined with future reinvestment rates derived from the current economic outlook and the Company's investment policy in order to determine expected rates of return on these assets for all future years. Investment return assumptions include expected future asset defaults. Asset defaults are projected based on both past Company and industry experience and specific reviews of the current investment portfolio.	The Company's policy of closely matching cash flows on the assets with those for the corresponding liabilities reduces the Company's exposure to future changes in interest rates. Derivative instruments are used where necessary when there is a lack of suitable permanent investments to minimize loss exposure to interest rate changes. The valuation interest rate assumes a declining reinvestment rate in order to incorporate reinvestment risk. For the Company's annuity business, an immediate and parallel decrease in interest rates of 1% across all maturities in Canada, the United States and Hong Kong would increase net income and equity by $7 as at December 31, 2000 (1999 – decrease of $4). The exposure to asset default is managed by policies and procedures which limit concentrations by issuer, connections, rating, sector and geographic region. Recent mortgage default experience has continued to be favourable when compared to the Company's assumptions. Recent bond default experience has been consistent with the Company's assumptions, with the exception of certain asset classes in the U.S. which have been unfavourable when compared to the Company's assumptions.
Policy Terminations	Lapse relates to the termination of policies due to non-payment of premiums. Surrenders relate to the voluntary termination of policies by policyholders. Policy termination assumptions are based on the Company's experience adjusted for expected future conditions. Assumptions reflect differences in geographic markets and lapse patterns for different types of contracts.	The Company designs its products in order to minimize financial exposure to lapse and surrender risk. In addition, the Company monitors lapse and surrender experience monthly. Generally, recent lapse rates have been lower than expected when compared to assumptions used in the computation of actuarial liabilities, with higher surrenders experienced on certain pension and deferred annuity business.
Minimum Guarantees on Segregated Funds	The Company holds reserves using the "factor based model" as prescribed by the Canadian Institute of Actuaries. These factors vary and are based on the nature of the segregated fund guarantees. In addition, the Company ensures the adequacy of these reserves through stochastic modeling. Investment performance, mortality and lapse assumptions are the key variables which are modeled.	The Company establishes appropriate underwriting standards to determine suitability of adding a fund to the product. Twice each year, fund performance is monitored and those funds which do not adhere to the given mandate are replaced. In addition, product design and premiums are reviewed in order that the financial risk remains within Board established boundaries. Recent experience of key variables has been consistent with the industry.

In addition to the above, assumptions are made for expenses and taxes (other than income taxes). Policy maintenance expenses are derived from the Company's internal cost studies, projected into the future with an allowance for inflation. Explicit assumptions are made for future premium taxes and other non-income related taxes.

Provision for adverse deviation

The basic assumptions made in establishing actuarial liabilities are best estimates for a range of possible outcomes. To recognize the uncertainty in establishing these best estimate reserve assumptions, to allow for possible deterioration in experience and to provide greater comfort that the reserves are adequate to pay future benefits, the Appointed Actuary is required to include a margin in each assumption.

The impact of these margins is to increase actuarial liabilities and decrease the income that would be recognized at inception of the policy. Minimum conditions are prescribed by the Canadian Institute of Actuaries for determining margins related to interest risk. For other risks which are not specifically addressed by the standard, a range is defined as 5% to 20% of the expected experience assumption. The Company uses assumptions at the conservative end of the range, taking into account the risk profiles of the business.

d) Risk management

In addition to risks related to reserve assumptions, the Company is also exposed to the following risks:

Foreign currency risk

The Company's strategy of matching the currency of its assets with the currency of the liabilities these assets support results in minimal financial exposure related to foreign currency fluctuations on assets backing actuarial liabilities.

The Company also generally matches the currency of its equity with the currency of its liabilities except for approximately $500 as at December 31, 2000 (1999 – $650) which was invested in a diversified basket of international currencies. Aligning the currency mix reduces the sensitivity of the Company's capital ratios to exchange rate fluctuations.

As at December 31, 2000, assets exceeded liabilities denominated in foreign currencies by approximately $3,300 (1999 – $3,900), of which $2,700 as at December 31, 2000 (1999 – $3,100) related to the United States dollar. The impact of a 100 basis point increase in the Canadian dollar relative to the United States dollar would be a $13 decrease in net income for the year ended December 31, 2000 (1999 – $10) and a $49 decrease in equity as at December 31, 2000 (1999 – $56).

Liquidity risk

Liquidity risk is the risk that the Company will not have access to sufficient funds to meet its liabilities as they become due. Certain of the Company's policies have features that allow them to be terminated at short notice, creating a potential liquidity exposure. In the normal course of business, the Company matches the maturity of invested assets to the maturity of actuarial liabilities.

As at December 31, 2000, the Company had immediate strategic liquidity of $29,811 (1999 – $27,855).

Reinsurance risk

In the normal course of business, the Company limits the amount of loss on any one policy by reinsuring certain levels of risk with other insurers. In addition, the Company accepts reinsurance from other reinsurers. Reinsurance ceded does not discharge the Company's liability as the primary insurer. Failure of reinsurers to honour their obligations could result in losses to the Company; consequently, allowances are established for amounts deemed uncollectible. In order to minimize losses from reinsurer insolvency, the Company monitors the concentration of credit risk both geographically and with any one reinsurer. In addition, the Company selects reinsurers with high credit ratings.

As a result of ceded reinsurance, actuarial liabilities have been reduced by $1,677 as at December 31, 2000 (1999 – $1,553).

The effect of reinsurance on premium income was as follows:

For the years ended December 31	2000	1999
Direct premium income	$ 8,120	$ 7,410
Reinsurance assumed	867	1,780
Reinsurance ceded	(472)	(518)
Total premium income	$ 8,515	$ 8,672

e) Change in actuarial liabilities

Change in actuarial liabilities during the year was caused by the following business activities and changes in actuarial estimates:

For the years ended December 31	2000	1999
Balance, January 1	$ 39,748	$ 38,738
Normal change		
New policies	652	1,705
Inforce	77	160
Changes in methods and assumptions	93	(3)
Changes due to assumption reinsurance agreement	–	766
Currency impact	814	(1,618)
Balance, December 31	$ 41,384	$ 39,748

During the year, reserve changes were made to reflect updated experience and claims assumptions in several business lines, and reserves were strengthened to reflect increased provisions related to certain savings products and an updated assessment of credit risks for certain asset classes. Reserves for segregated fund and similar products with maturity and death benefit guarantees were strengthened slightly to reflect an improved risk assessment process involving stochastic modeling.

Provisions for unreported claims are included with policy benefits in the course of settlement on the Consolidated Balance Sheets.

NOTE 5 *Income Taxes*

The effective income tax rate for the consolidated provision for income taxes varies from the income taxes computed at the Canadian statutory tax rate of 42% as at December 31, 2000 (1999 – 43%) for the following reasons:

Reconciliation of income tax expense

For the years ended December 31	2000	1999
Income tax at Canadian statutory rates	$ 563	$ 502
Increase (decrease) in tax due to:		
Tax-exempt investment income	(74)	(18)
Differences in tax rates on income not subject to tax in Canada	(222)	(161)
Recognition of tax benefit from prior years	(60)	(27)
Changes in future tax asset from statutory rate changes	32	–
Other	34	6
Income taxes	$ 273	$ 302

Components of income tax expense included in the Consolidated Statements of Operations are:

For the years ended December 31	2000	1999
Canadian income tax expense (benefit):		
Current taxes	$ 86	$ 62
Future taxes	21	(32)
	$ 107	$ 30
Foreign income tax expense (benefit):		
Current taxes	$ 156	$ (34)
Future taxes	10	306
	$ 166	$ 272
Income tax expense	$ 273	$ 302

The amount of income taxes paid in cash during the year ended December 31, 2000 was $103 (1999 – $61).

Undistributed earnings of non-Canadian subsidiaries may be taxed upon repatriation to Canada. The Company has recognized a future tax liability on these undistributed earnings to the extent that management expects it will be incurred on earnings repatriated in the foreseeable future.

The following table presents future income taxes in total, and the principal components:

As at December 31	2000	1999
Future income tax asset:		
Actuarial liabilities	$ 263	$ 604
Gains on sale of invested assets	471	421
Other	369	173
	$ 1,103	$ 1,198
Valuation allowance	(156)	(245)
Future income tax asset	$ 947	$ 953
Future income tax liability:		
Real estate	$ (260)	$ (232)
Securities	(100)	(129)
Other	(72)	(63)
Future income tax liability	$ (432)	$ (424)
Net future income tax asset	$ 515	$ 529

As at December 31, 2000, Manulife Financial and its subsidiaries have approximately $912 (1999 – $401) of tax loss carryforwards available, none of which expire in 2001. These tax loss carryforwards can be applied against future profits of the companies that have incurred those losses.

Note 6 *Subordinated Debt*

As at December 31	2000	1999
7⅞% U.S. dollar	$ 375	$ 361
8¼% U.K. pound	213	221
Total	$ 588	$ 582
Fair value	$ 613	$ 588

The fair value of subordinated debt is determined by reference to current market prices. Both issues form part of the Company's regulatory capital. To reduce exposure to foreign currency fluctuations, derivatives are used to convert the U.K. pound debt into Canadian and U.S. dollar liabilities.

The cash amount of interest paid during the year ended December 31, 2000 was $47 (1999 – $48).

a) 7 7/8 % U.S. dollar subordinated notes

During 1995, the Company issued U.S. $250 ($341) in 7 7/8 % subordinated notes due April 15, 2005. This debt was issued as a private placement under Rule 144A of the Securities Act (United States).

b) 8 1/4 % U.K. pound subordinated notes

On January 1, 1996, on amalgamation with North American Life Assurance Company, the Company assumed £100 ($202) in 8 1/4% subordinated notes redeemable on November 17, 2003. Concurrently, £5 ($10) of debt, which was held by the Company, was extinguished.

Note 7 *Trust Preferred Securities Issued by Subsidiaries*

As at December 31	2000	1999
Trust Preferred Securities	$ 756	$ 735

Capital Trust Pass-through Securities Units of U.S. $500 ($672) were issued by subsidiaries of Manulife Financial in January 1997, maturing February 1, 2027.

Each unit consists of one 8.25% Trust Preferred Security, issued by the trust subsidiary, and one 0.125% preferred purchase contract, issued by Manufacturers Investment Corporation ("MIC"). The trust subsidiary's only asset is an investment in notes issued by MIC. Holders of each purchase contract may be required to purchase 20 non-cumulative perpetual preferred shares, Series A of MIC, at U.S. $50 per share. Holders may satisfy this purchase by delivering the Trust Preferred Securities to MIC in exchange for the perpetual preferred shares.

The Securities Units were issued as a private placement under Rule 144A of the Securities Act (United States).

From the Company's perspective, the issue is equivalent to a combination of 8.25% subordinated debt maturing February 1, 2027, and an option exercisable by the Company, requiring contract holders to purchase an equivalent amount of perpetual preferred stock in MIC. The securities form part of the Company's regulatory capital.

Note 8 *Demutualization*

Manufacturers Life was organized as a mutual life insurance company until September 23, 1999. On that date, Manufacturers Life converted to a stock life insurance company with common shares following approval of its plan to demutualize by policyholders and the Minister of Finance (Canada). Manulife Financial Corporation ("Manulife Financial," the "Company") was incorporated on April 26, 1999 under the Insurance Companies Act (Canada) and on September 23, 1999, became an insurance holding company owning all of the outstanding shares of Manufacturers Life. To effect the conversion, the Company issued a total of 501 million common shares, of which 38 million were issued to certain underwriters at $18.00 per share and 100 million common shares were sold in a secondary offering by a custodian on behalf of certain policyholders who elected, or were otherwise required, to sell their common shares pursuant to the Plan of Demutualization. The remaining 363 million common shares were retained by policyholders and given a total nominal value of one dollar in the Company's records. Proceeds from the shares issued to the underwriters amounted to $694 and were used to fund payments by Manufacturers Life, in lieu of common shares, to certain policyholders in exchange for their ownership rights. All costs of services provided by outside vendors in respect of the conversion, amounting to $31 net of taxes, were treated as a capital transaction and, upon demutualization, were deducted from the surplus of Manufacturers Life. All costs of the secondary offering, amounting to $58 net of taxes, were treated as a capital transaction and deducted from the stated capital of the Company. All costs were paid from the general fund of the Company.

The assets, liabilities, equity and results of operations of Manufacturers Life have been presented in the consolidated financial statements of Manulife Financial Corporation on a continuity of interest basis.

Note 9 *Share Capital*

The authorized capital of the Company consists of:

a) an unlimited number of common shares without nominal or par value; and

b) an unlimited number of Class A and Class B preferred shares without nominal or par value, issuable in series.

On October 7, 1999, the Company announced the establishment of a normal course issuer bid program on The Toronto Stock Exchange (the "Exchange") authorizing the Company to purchase up to 25 million common shares, representing approximately 5% of common shares issued and outstanding at the time. The normal course issuer bid, accepted by the Exchange, commenced on October 12, 1999 and expired on October 11, 2000. Transactions were executed on the Exchange at the prevailing market price in amounts and at times determined by the Company. Any shares purchased as part of the bid were cancelled.

In 2000, the Company purchased and subsequently cancelled 12 million (1999 – 7 million) of its common shares at a total cost of $206 (1999 – $128). Common shares outstanding were reduced by $16 (1999 – $8) and retained earnings were reduced by $190 (1999 – $120).

As at December 31, 2000, the Company had 482 million (1999 – 494 million) common shares issued and outstanding.

For the years ended December 31	2000 Number of shares (in millions)	2000 Amount	1999 Number of shares (in millions)	1999 Amount
Common shares				
Balance, January 1	494	$ 628	–	$ –
Issued in public offering (note 8)	–	–	38	694
Less: issue costs, net of taxes (note 8)		–		(58)
		$ 628		$ 636
Issued to policyholders (note 8)	–	–	463	–
Normal course issuer bid – purchased for cancellation	(12)	(16)	(7)	(8)
Balance, December 31	482	$ 612	494	$ 628

Note 10 *Stock-Based Compensation*

Under the Company's Executive Stock Option Plan ("ESOP"), stock options are periodically granted to selected employees. Options provide the employee with the right to purchase common shares at an exercise price equal to the closing market price of the Company's common shares on The Toronto Stock Exchange on the business day immediately preceding the date the options were granted. The options vest over a four-year period and expire not more than 10 years from the grant date. As at December 31, 2000, a total of 36,800,000 common shares have been reserved for future issuance under the ESOP.

The Company also granted deferred share units ("DSUs") to certain employees. The DSUs vest over a four-year period and each unit entitles the holder to receive, at the Company's discretion, either one common share or the equivalent cash value on retirement or termination of employment. The DSUs attract dividends in the form of additional DSUs at the same rate as dividends on the common shares. As at December 31, 2000, no options or DSUs were granted to directors who are not full-time employees of the Company. The number of DSUs outstanding was 3 million as at December 31, 2000.

As at and for the year ended December 31, 2000	Number of options (in millions)	Weighted average exercise price	Expiry
Options			
Granted	5	$ 31.60	
Outstanding, December 31	5	$ 31.60	October 2010
Exercisable, December 31	1	$ 31.60	

Effective January 1, 2001, the Company established the Global Share Ownership Plan for its eligible employees and the Stock Plan for Non-Employee Directors.

Under the Company's Global Share Ownership Plan, qualifying employees can choose each year to have up to 5% of their annual base earnings withheld to purchase common shares of Manulife Financial. Subject to certain conditions, the Company will match 50% of the employee's eligible contributions. The Company's contributions vest immediately. All contributions will be used by the plan trustee to purchase common shares at the end of each month in the open market.

Note 11 *Earnings Per Share*

For the years ended December 31	2000	1999
Basic earnings per share		
Net income attributable to shareholders (after demutualization)	$ 1,075	$ 267
Weighted average number of shares outstanding	483 million	499 million
Basic earnings per share	$ 2.22	$ 0.53
Adjusted basic earnings per share		
Adjusted net income attributable to shareholders	$ 1,075	$ 874
Weighted average number of shares outstanding	483 million	501 million
Adjusted basic earnings per share[1]	$ 2.22	$ 1.75

(1) Adjusted basic earnings per share for the year ended December 31, 2000 is the same as basic earnings per share.

Basic earnings per share for the year was calculated using net income attributable to shareholders for the year ended December 31, 2000 and the weighted average of the number of shares outstanding for the year.

Basic earnings per share for the comparative period was calculated using net income attributable to shareholders after demutualization from September 24, 1999 to December 31, 1999 and the weighted average of the number of shares outstanding for that period. Adjusted basic earnings per share for the year ended December 31, 1999 was derived by using net income attributable to shareholders after demutualization plus net income attributable to mutual operations prior to demutualization and the weighted average of the number of common shares outstanding for the year ended December 31, 1999, assuming that common shares issued for demutualization and the initial public offering were outstanding at the beginning of the year.

Note 12 *Investment in Manulife Century Life Insurance Company*

In April 1999, the Company entered the Japanese life insurance market by establishing a new life insurance company, Manulife Century Life Insurance Company ("Manulife Century Life"), with a local company, Daihyaku Mutual Life Insurance Company ("Daihyaku Mutual").

To establish Manulife Century Life, in March 1999, the Company and Daihyaku Mutual each contributed Yen 40 billion ($515) in cash to be used for operating capital purposes and to acquire, for Yen 40 billion ($515), the business origination capacity of Daihyaku Mutual's sales force, its operations infrastructure, including tangible and intangible assets, material contracts and goodwill, and its business rights to sell new policies. While the Company and Daihyaku Mutual each initially owned 50% of the equity of Manulife Century Life, the Company owned 74.6% of the voting shares and controlled the Board of Directors.

At that time, the total consideration which could have been paid by Manulife Century Life to Daihyaku Mutual for the business infrastructure acquired was expected to effectively range from Yen 15 billion to Yen 100 billion. In addition, Manulife Financial's equity interest in Manulife Century Life could have increased over time. The total effective consideration which could have been paid and the ultimate equity interest were collectively dependent on Manulife Century Life's financial performance over the 15-year period following closing. The Company recorded an additional Yen 15 billion in goodwill and non-controlling interest in subsidiaries with respect to potential additional payments following closing.

This transaction was accounted for as a purchase and accordingly, the assets acquired by Manulife Century Life were recorded at their estimated fair values of $2 at the date of acquisition. The excess of the purchase price over the fair value of the assets acquired was recorded as goodwill (included in Other, Miscellaneous assets) and is being amortized on a straight-line basis over 20 years.

Effective May 31, 2000, a business suspension order was issued against Daihyaku Mutual by regulatory authorities in Japan and on June 1, 2000, administrators were appointed to manage Daihyaku Mutual's business. At that time and in accordance with the transaction structure between Manulife Century Life, the Company and Daihyaku Mutual, the total consideration which could have been paid by Manulife Century Life to Daihyaku Mutual for the business infrastructure acquired was estimated not to exceed Yen 40 billion. The total consideration paid and ultimate equity interest were dependent on Manulife Century Life's financial performance over the 5-year period following closing. Potential additional payments of Yen 15 billion recorded as goodwill and as non-controlling interest in subsidiaries as at March 31, 1999 were revised effective May 31, 2000 to reflect Manulife Century Life's expectation that such additional payments were no longer required.

Subsequent event

On January 25, 2001, the Company announced the signing of a definitive agreement between Manulife Century Life and the administrators of Daihyaku Mutual to assume Daihyaku Mutual's existing insurance policies. The completion of the transfer of insurance policies, scheduled to occur on April 2, 2001, is subject to the receipt of approval by regulatory authorities in Japan and Canada and Daihyaku Mutual's policyholders.

As a result of this transaction, the Company estimates that the fair value of the tangible assets to be transferred at closing and included in its general fund assets will be approximately $16.7 billion (Yen 1.3 trillion). The value attributed to any intangible assets has yet to be determined. Policy liabilities and other liabilities will increase by an amount commensurate with the total assets. These values are estimates and are subject to adjustments, once the closing balances have been finalized.

On this date, Manulife Financial agreed to acquire Daihyaku Mutual's minority interest in Manulife Century Life, making Manulife Century Life a wholly owned subsidiary of the Company.

NOTE 13 *Pensions and Other Post-Employment Benefits*

The Company maintains a number of pension and benefit plans for its eligible employees and agents. Information about the Company's benefit plans, in aggregate, is as follows:

For the years ended December 31	Pension benefits 2000	Pension benefits 1999	Other employee benefits 2000	Other employee benefits 1999
Change in benefit obligation:				
Balance, January 1	$ 594	$ 612	$ 114	$ 107
Service cost	27	19	6	6
Interest cost	40	37	8	7
Plan participants' contributions	1	1	–	–
Amendments	2	6	–	–
Actuarial loss (gain)	45	(33)	(9)	(2)
Benefits paid	(38)	(42)	(2)	(2)
Currency	4	(6)	1	(2)
Balance, December 31	$ 675	$ 594	$ 118	$ 114
Change in plan assets:				
Fair value of plan assets, January 1	$ 666	$ 647	$ –	$ –
Actual return on plan assets	48	68	–	–
Employer contribution	–	–	2	2
Plan participants' contributions	1	1	–	–
Benefits paid	(38)	(42)	(2)	(2)
Currency	5	(8)	–	–
Fair value of plan assets, December 31	$ 682	$ 666	$ –	$ –

As at December 31	Pension benefits 2000	Pension benefits 1999	Other employee benefits 2000	Other employee benefits 1999
Funded status, end of year	$ 7	$ 72	$ (118)	$ (114)
Unrecognized net actuarial gain	(28)	(70)	(64)	(59)
Unrecognized initial transition gain	(13)	(17)	–	–
Unrecognized prior service cost	15	15	–	–
Accrued pension liability	$ (19)	$ –	$ (182)	$ (173)
Amounts recognized in the Consolidated Balance Sheets consist of:				
Prepaid benefit-cost	$ 127	$ 121	$ –	$ –
Accrued benefit liability	(146)	(121)	(182)	(173)
Accrued pension liability	$ (19)	$ –	$ (182)	$ (173)

Components of the net benefit expense are as follows:

For the years ended December 31	Pension benefits 2000	Pension benefits 1999	Other employee benefits 2000	Other employee benefits 1999
Defined benefit service cost	$ 27	$ 19	$ 6	$ 6
Defined contribution service cost	13	11	–	–
Interest cost	40	37	8	7
Expected return on plan assets	(48)	(42)	–	–
Net amortizations and deferrals	(3)	2	(5)	(4)
Net benefit expense	$ 29	$ 27	$ 9	$ 9

For the years ended December 31	Pension benefits 2000	Pension benefits 1999
Weighted-average assumptions:		
Discount rate	6.8%	7.3%
Expected return on plan assets	8.1%	8.3%
Rate of compensation increase	3.4%	3.4%

Assumed health care cost trends have a significant effect on the amounts reported for the health care plan. The impact of a 100 basis-point change in assumed health care cost trend rates would be as follows:

	100 basis-point increase	100 basis-point decrease
Effect on total of service and interest costs	3	(2)
Effect on post-employment benefit obligation	20	(18)

Note 14 *Commitments and Contingencies*

a) Legal proceedings

The Company is subject to legal actions arising in the ordinary course of business. These legal actions are not expected to have a material adverse effect on the consolidated financial position of the Company.

b) Investment commitments

In the normal course of business, various investment commitments are outstanding which are not reflected in the consolidated financial statements. There were $267 of outstanding investment commitments as at December 31, 2000, of which $54 mature in 30 days, $194 mature in 31 to 365 days and $19 mature in 2002 or later. There were $193 of outstanding investment commitments as at December 31, 1999, of which $44 matured in 30 days, $125 matured in 31 to 365 days and $24 mature in 2001 or later.

c) Letters of credit

The Company issues letters of credit in the normal course of business. As at December 31, 2000, letters of credit in the amount of $1,434 (1999 – $887), including $13 (1999 – $13) against which assets have been pledged, are outstanding.

d) Pledged assets

In the normal course of business, certain of Manulife Financial's subsidiaries pledge their assets as security for liabilities incurred. The amounts pledged were as follows:

	2000		1999	
As at December 31	Bonds	Other	Bonds	Other
In respect of:				
Securities lent	$1,279	$ –	$1,074	$ –
Letters of credit	13	–	13	–
Derivatives	–	20	–	3
Regulatory requirements	38	–	35	–
Total	$1,330	$ 20	$1,122	$ 3

e) Capital requirements

Dividends and capital distributions are restricted under the Insurance Companies Act (Canada) ("ICA"). The ICA requires Canadian insurance companies to maintain at all times minimum levels of capital (which principally includes common shareholders' equity [including retained earnings], non-cumulative perpetual preferred shares, subordinated debt and the participating account) calculated in accordance with the Minimum Continuing Capital and Surplus Requirements. In addition to the requirements under Canadian law, the Company must also maintain minimum levels of capital for its foreign subsidiaries. Such amounts of capital are based on the local statutory accounting basis in each jurisdiction. The most significant of these are the Risk Based Capital requirements for the Company's United States insurance subsidiaries. The Company maintains capital well in excess of the minimum required in all foreign jurisdictions in which the Company does business.

There are additional restrictions on distributions in foreign jurisdictions in relation to shareholder dividends. In the United States, regulatory approval is required if a shareholder dividend distribution from a United States subsidiary company to the parent company would exceed that subsidiary company's earned surplus. Regulatory approval is also required if the distribution (together with other distributions during the previous year) exceeds the greater of the subsidiary's statutory net operating income for the previous year or 10% of its surplus determined at the end of the previous year. The determination must be made in accordance with statutory accounting principles. In 2000, the maximum amount of shareholder dividends transferable from a United States subsidiary to the parent company without permission was U.S. $92 (1999 – U.S. $61).

f) Participating business

In some territories where the Company maintains participating accounts, there are regulatory restrictions on the amounts of profit that can be transferred to shareholders. Where applicable, these restrictions generally take the form of a fixed percentage of the policyholder dividends. For participating business operated as separate "closed blocks," transfers are governed by the terms of Manufacturers Life's Plan of Demutualization.

Note 15 *Fair Value of Financial Instruments*

Financial instruments refer to both on- and off-balance sheet instruments and may be assets or liabilities. They are contracts that ultimately give rise to a right for one party to receive an asset and an obligation for another party to deliver an asset. Fair values are management's best estimates of the amounts at which instruments could be exchanged in a current transaction between willing parties and are generally calculated based on the characteristics of the instrument and the current economic and competitive environment. These calculations are subjective in nature, involve uncertainties and matters of significant judgement and do not include any tax impact.

Both the fair values and the basis for determining the fair value of invested assets, actuarial liabilities, borrowed funds, subordinated debt and derivative financial instruments are disclosed in notes 3, 4, 6 and 16, respectively.

The fair values of accrued investment income, outstanding premiums, other miscellaneous assets, policy benefits in the course of settlement, provision for unreported claims, policyholder amounts on deposit and other liabilities approximate their carrying values, due to their short-term nature.

The fair value of banking deposits is estimated at $586 as at December 31, 2000 (1999 – $329) compared to a carrying value of $592 as at December 31, 2000 (1999 – $333). The fair value of these financial instruments is determined by discounting the contractual cash flows, using market interest rates currently offered for deposits with similar terms and conditions.

Note 16 *Derivative Financial Instruments*

Derivative financial instruments are financial contracts, the values of which are derived from underlying assets or interest or foreign exchange rates. In the ordinary course of business, the Company enters into primarily over-the-counter contracts for asset liability management purposes. Derivatives such as foreign exchange contracts, interest rate and cross currency swaps, forward rate agreements and equity options are used to manage exposures to interest rate, foreign currency and equity fluctuations in order to ensure a consistent stream of earnings.

Interest rate and foreign exchange swaps are contractual agreements between the Company and a third party to exchange a series of cash flows. For interest rate swaps, counterparties generally exchange fixed and floating interest rate payments based on a notional value in a single currency. For foreign exchange swaps, fixed interest payments and notional amounts are exchanged in different currencies. Notional amount represents the amount to which a rate or price is applied in order to calculate the exchange of cash flows. The notional principal amounts are not included in the Consolidated Balance Sheets.

Replacement cost represents the cost of replacing, at current market rates, all contracts with a positive fair value. The amounts do not take into consideration legal contracts which permit offsetting of positions or any collateral which may be obtained.

Credit risk equivalent is the sum of replacement cost and the potential future credit exposure. The potential future credit exposure represents the potential for future changes in value based upon a formula prescribed by OSFI.

Risk-weighted amount represents the credit risk equivalent, weighted according to the creditworthiness of the counterparty, as prescribed by OSFI.

Fair value is summarized by derivative type and represents the net unrealized gain or loss, accrued interest receivable or payable, and premiums paid or received.

The Company has the following amounts outstanding:

	Remaining term to maturity (notional amounts)				Fair value				
As at December 31 2000	Under 1 year	1 to 5 years	Over 5 years	Total	Positive	Negative	Net	Credit risk equivalent	Risk-weighted amount
Interest rate contracts:									
Swap contracts	$ 403	$ 1,405	$ 1,564	$ 3,372	$ 34	$ (34)	$ –	$ 49	$ 17
Futures contracts	65	–	–	65	–	–	–	–	–
Options written	–	–	32	32	–	–	–	–	–
Sub-total	$ 468	$ 1,405	$ 1,596	$ 3,469	$ 34	$ (34)	$ –	$ 49	$ 17
Foreign exchange:									
Swap contracts	502	703	666	1,871	18	(97)	(79)	108	31
Forward contracts	2,930	–	–	2,930	45	(11)	34	74	20
Equity contracts	435	33	–	468	7	(25)	(18)	26	3
Total	$ 4,335	$ 2,141	$ 2,262	$ 8,738	$ 104	$ (167)	$ (63)	$ 257	$ 71
1999									
Interest rate contracts:									
Swap contracts	$ 263	$ 1,328	$ 1,527	$ 3,118	$ 39	$ (35)	$ 4	$ 69	$ 22
Futures contracts	165	–	–	165	–	–	–	–	–
Options written	7	–	31	38	–	–	–	–	–
Sub-total	$ 435	$ 1,328	$ 1,558	$ 3,321	$ 39	$ (35)	$ 4	$ 69	$ 22
Foreign exchange:									
Swap contracts	–	1,034	480	1,514	64	(33)	31	152	34
Forward contracts	2,052	–	–	2,052	55	(4)	51	75	16
Equity contracts	171	13	–	184	20	–	20	28	7
Total	$ 2,658	$ 2,375	$ 2,038	$ 7,071	$ 178	$ (72)	$ 106	$ 324	$ 79

Note 17 *Segmented Information*

The Company provides a wide range of financial products and services, including individual life insurance, group life and health insurance, pension products, annuities and mutual funds to individual and group customers in the United States, Canada and Asia. The Company also offers reinsurance services, primarily life and accident and health reinsurance, and provides investment management services with respect to the Company's general fund assets, segregated fund assets and mutual funds and, in Canada, to institutional customers.

The Company's business segments include the U.S., Canadian, Asian and Reinsurance divisions. Each division has profit and loss responsibility and develops products, services and distribution strategies based on the profile of its business and the needs of its market.

The accounting policies of the segments are the same as those described in note 1, Nature of operations and significant accounting policies.

The results of the Company's business segments differ from geographic segmentation primarily as a consequence of segmenting the results of the Company's Reinsurance Division into the different geographic segments to which its business pertains.

By segment

For the year ended December 31, 2000	U.S. Division	Canadian Division	Asian Division	Reinsurance Division	Other	Total
Revenue						
Premium income						
Life and health insurance	$ 1,662	$ 1,882	$ 1,740	$ 768	$ –	$ 6,052
Annuities and pensions	1,686	'606	171	–	–	2,463
Total premium income	$ 3,348	$ 2,488	$ 1,911	$ 768	$ –	$ 8,515
Investment income	1,925	1,587	353	194	291	4,350
Other revenue	885	249	80	22	51	1,287
Total revenue	$ 6,158	$ 4,324	$ 2,344	$ 984	$ 342	$ 14,152
Interest expense	$ 56	$ 51	$ 40	$ 2	$ 42	$ 191
Income before income taxes	$ 645	$ 350	$ 206	$ 132	$ 8	$ 1,341
Income taxes	(168)	(75)	(13)	(24)	7	(273)
Net income	$ 477	$ 275	$ 193	$ 108	$ 15	$ 1,068
Amortization of realized and unrealized gains	$ 255	$ 119	$ 39	$ 6	$ 224	$ 643
Segregated fund deposits	$ 12,650	$ 1,681	$ 446	$ –	$ –	$ 14,777
As at December 31, 2000						
Actuarial liabilities	$ 20,180	$ 16,130	$ 4,041	$ 819	$ 214	$ 41,384
Funds under management						
General fund	$ 25,105	$ 21,097	$ 7,223	$ 3,259	$ 3,383	$ 60,067
Segregated funds	44,370	9,394	1,144	–	–	54,908
Mutual funds	–	1,359	204	–	–	1,563
Other managed funds	–	–	748	–	6,234	6,982

By geographic location

For the year ended December 31, 2000	United States	Canada	Asia	Other	Total
Revenue					
Premium income					
Life and health insurance	$ 1,966	$ 1,934	$ 1,745	$ 407	$ 6,052
Annuities and pensions	1,686	606	171	–	2,463
Total premium income	$ 3,652	$ 2,540	$ 1,916	$ 407	$ 8,515
Investment income	2,025	1,944	354	27	4,350
Other revenue	899	288	80	20	1,287
Total revenue	$ 6,576	$ 4,772	$ 2,350	$ 454	$ 14,152

By segment

For the year ended December 31, 1999	U.S. Division	Canadian Division	Asian Division	Reinsurance Division	Other	Total
Revenue						
Premium income						
Life and health insurance	$ 1,703	$ 2,416	$ 1,431	$ 816	$ 2	$ 6,368
Annuities and pensions	1,390	812	102	–	–	2,304
Total premium income	$ 3,093	$ 3,228	$ 1,533	$ 816	$ 2	$ 8,672
Investment income	1,888	1,697	310	169	305	4,369
Other revenue	678	197	69	11	60	1,015
Total revenue	$ 5,659	$ 5,122	$ 1,912	$ 996	$ 367	$ 14,056
Interest expense	$ 42	$ 35	$ 35	$ 2	$ 65	$ 179
Income before income taxes	$ 561	$ 294	$ 127	$ 145	$ 41	$ 1,168
Income taxes	(196)	(61)	12	(40)	(17)	(302)
Net income	$ 365	$ 233	$ 139	$ 105	$ 24	$ 866
Amortization of realized and unrealized gains	$ 347	$ 211	$ 51	$ 14	$ 164	$ 787
Segregated fund deposits	$ 9,031	$ 1,347	$ 331	$ –	$ –	$ 10,709
As at December 31, 1999						
Actuarial liabilities	$ 19,310	$ 16,441	$ 3,086	$ 775	$ 136	$ 39,748
Funds under management						
General fund	$ 23,648	$ 20,700	$ 5,763	$ 2,794	$ 3,803	$ 56,708
Segregated funds	39,389	8,341	1,325	–	–	49,055
Mutual funds	–	1,477	164	–	–	1,641
Other managed funds	–	–	–	–	4,732	4,732

By geographic location

For the year ended December 31, 1999	United States	Canada	Asia	Other	Total
Revenue					
Premium income					
Life and health insurance	$ 2,110	$ 2,535	$ 1,435	$ 288	$ 6,368
Annuities and pensions	1,390	812	102	–	2,304
Total premium income	$ 3,500	$ 3,347	$ 1,537	$ 288	$ 8,672
Investment income	1,986	2,025	313	45	4,369
Other revenue	690	238	69	18	1,015
Total revenue	$ 6,176	$ 5,610	$ 1,919	$ 351	$ 14,056

NOTE 18 *Material Differences Between Canadian and United States Generally Accepted Accounting Principles*

The consolidated financial statements of the Company are presented in accordance with Canadian GAAP. Canadian GAAP differs in certain material respects from accounting principles generally accepted in the United States ("U.S. GAAP"). The following is a summary of such material differences.

a) Reconciliation of Canadian GAAP net income and equity to U.S. GAAP net income, comprehensive income and equity

	Net income		Equity	
For the years ended December 31	2000	1999	2000	1999
Net income and equity determined in accordance with Canadian GAAP	$ 1,068	$ 866	$ 7,211	$ 6,454
Bonds	(252)	(414)	798	1,026
Mortgages	(7)	59	(123)	(113)
Stocks	1,653	(272)	1,931	247
Real estate	(81)	(23)	(762)	(669)
Actuarial liabilities	(1,017)	(311)	(4,974)	(3,852)
Deferred acquisition costs	904	855	5,217	4,221
Deferred revenue	(94)	(80)	(273)	(172)
Future income taxes	43	(15)	(378)	(417)
Demutualization expenses(1)	–	(33)	–	–
Other reconciling items	(58)	120	95	153
Net income and equity determined in accordance with U.S. GAAP	$ 2,159	$ 752	$ 8,742	$ 6,878
Foreign currency translation	102	(208)	–	–
Effect of unrealized gains and losses on available-for-sale bonds and stocks:				
Bonds	1,334	(2,879)	1,291	(43)
Stocks	(1,686)	918	976	2,662
Actuarial liabilities	(318)	1,617	(826)	(507)
Deferred acquisition costs	85	234	(70)	(155)
Deferred revenue	11	(32)	2	(10)
Future income taxes on above	1	198	(351)	(352)
Comprehensive income and equity determined in accordance with U.S. GAAP	$ 1,688	$ 600	$ 9,764	$ 8,473

(1) Under U.S. GAAP, demutualization expenses are presented as expenses in the Consolidated Statements of Operations.

b) Valuation and income recognition differences between Canadian GAAP and U.S. GAAP

	Canadian GAAP	U.S. GAAP
Bonds	Bonds are carried at amortized cost, less an allowance for specific losses. Allowances are provided on a specific bond whenever a decline in the value of the bond is considered to be other than temporary. Realized gains and losses on sale are deferred and brought into income over the lesser of the remaining term to maturity of the security sold or 20 years.	Bonds may be classified as "available-for-sale," "held to maturity" or "trading" securities. All bonds are classified as "available-for-sale" by the Company and are carried at fair value in the Consolidated Balance Sheets. A decline in the value of a specific bond that is considered to be other than temporary results in a write-down in the cost basis of the bond and a charge to income in the period of recognition. Realized gains and losses on sale are recognized in income immediately. Unrealized gains and losses are excluded from income and reported net of tax as a separate component of equity.
Mortgages	Mortgages are carried at amortized cost less repayments and an allowance for specific losses. Realized gains and losses are deferred and brought into income over the lesser of the remaining term to maturity of the mortgage or loan sold or 20 years.	Mortgages are carried at amortized cost less repayments and an allowance for specific losses. Realized gains and losses are recognized in income immediately.
Stocks	Stocks are carried at a moving average market basis whereby carrying values are adjusted towards market value at 15% per annum. Specific stocks are written down to fair value if an impairment in the value of the entire stock portfolio (determined net of deferred realized gains) is considered to be other than temporary. Realized gains and losses are deferred and brought into income at the rate of 15% of the unamortized deferred realized gains and losses each year.	Stocks may be classified as "available-for-sale" or "trading" securities. All stocks are classified as "available-for-sale" by the Company and are carried at fair value in the Consolidated Balance Sheets. Other than temporary declines in the value of stocks result in a write-down in the cost basis of the stocks and a charge to income in the period of recognition. Realized gains and losses are recognized in income immediately. Unrealized gains and losses are excluded from income and reported net of tax as a separate component of equity.

	Canadian GAAP	U.S. GAAP
Real estate	Real estate is carried at a moving average market basis whereby the carrying values are adjusted towards market value at 10% per annum. Specific properties are written down to market value if an impairment in the value of the entire real estate portfolio (determined net of deferred realized gains) is considered to be other than temporary. Realized gains and losses are deferred and brought into income at the rate of 10% of the unamortized deferred realized gains and losses each year.	Real estate is carried at cost less accumulated depreciation. Specific properties are written down, taking into account discounted cash flows, if an impairment in the value of the property is considered to be other than temporary. Realized gains and losses are recognized in income immediately.
Actuarial liabilities	Actuarial liabilities for all types of policies are calculated using the policy premium method and represent the amount which, together with estimated future premiums and net investment income, will be sufficient to pay estimated future benefits, policyholder dividends, tax (other than income taxes) and expenses on policies inforce. Actuarial liabilities are comprised of a best estimate reserve and provisions for adverse deviation. Best estimate reserve assumptions are made for the lifetime of the policies and include assumptions with respect to mortality and morbidity trends, investment returns, rates of policy termination, policyholder dividend payments, operating expenses and certain taxes. To recognize the uncertainty in the assumptions underlying the calculation of best estimate reserves, to allow for possible deterioration in experience and to provide greater comfort that reserves are adequate to pay future benefits, the Appointed Actuary is required to add a margin to each assumption. These margins result in the calculation of provisions for adverse deviation, the impact of which is to increase actuarial liabilities and decrease the income that would otherwise be recognized when products are sold. Assumptions are updated regularly and the effects of any changes in assumptions are recognized in income immediately. The provisions for adverse deviations are recognized in income over the term of the policy as the risk of deviation from estimates declines.	There are three main standards for valuing actuarial liabilities as follows: Statement of Financial Accounting Standards No. 60, "Accounting and Reporting by Insurance Enterprises" ("FAS 60") applies to non-participating insurance, including whole life and term insurance, payout annuities, disability insurance and certain reinsurance contracts. Actuarial liabilities are calculated using a net level premium method and represent the present value of future benefits to be paid to, or on behalf of, policyholders and related expenses, less the present value of future net premiums. The assumptions include expected investment yields, mortality, morbidity, terminations and maintenance expenses. A provision for adverse deviation is also included. The assumptions are based on best estimates of long-term experience at the time of policy issue. The assumptions are not changed for future valuations unless it is determined that future income is no longer adequate to recover the existing Deferred Acquisition Costs ("DAC"), in which case the DAC is reduced or written off and, to the extent necessary, actuarial liabilities are increased. The actuarial liabilities may not subsequently be reduced if the circumstances causing the strengthening are no longer applicable. Statement of Financial Accounting Standards No. 97, "Accounting and Reporting by Insurance Enterprises for Certain Long-Duration Contracts and for Realized Gains and Losses from the Sale of Investments" ("FAS 97") applies to universal life type contracts and investment contracts. The actuarial liability for these contracts is equal to the policyholder account value. There is no provision for adverse deviation. If it is determined that future income for universal life type contracts is no longer adequate to recover the existing DAC, the DAC is reduced or written off and, to the extent necessary, actuarial liabilities are increased. The actuarial liabilities may not subsequently be reduced if the circumstances causing the strengthening are no longer applicable. Statement of Financial Accounting Standards No. 120, "Accounting and Reporting by Mutual Life Enterprises and by Insurance Enterprises for Certain Long-Duration Participating Contracts" ("FAS 120") applies to participating insurance contracts. The actuarial liability for these contracts is computed using a net level premium method with mortality and interest assumptions consistent with the non-forfeiture assumptions. There is no provision for adverse deviation. The assumptions are not changed unless it is determined that future income is no longer adequate to recover the existing DAC, in which case the DAC is reduced or written off and, to the extent necessary, actuarial liabilities increased. The actuarial liabilities may not subsequently be reduced if the circumstances causing the strengthening are no longer applicable. In addition, in accordance with Emerging Issues Task Force Topic No. D-41 ("EITF D-41"), U.S. GAAP requires that actuarial liabilities be adjusted to reflect the changes that would have been necessary if the unrealized gains on bonds and stocks had been realized. This adjustment to actuarial liabilities is recognized directly in equity and is not included in income.
Deferred acquisition costs	All policy acquisition costs are expensed as incurred. The computation of actuarial liabilities takes this into consideration.	Acquisition costs which vary with, and are primarily related to, the production of new business are deferred and recorded as an asset. This DAC asset is amortized into income in proportion to different measures, depending on the policy type. The DAC associated with FAS 60 policies are amortized and charged to income in proportion to premium income recognized. For non-participating limited payment policies, including annuities not classified as investment contracts, the DAC are amortized in proportion to the amount of the expected future benefit payments for payout annuities and in proportion to face amount for insurance contracts. The DAC associated with FAS 97 and FAS 120 policies (i.e. universal life type contracts, investment contracts and participating insurance contracts) are amortized and charged to income in proportion to the estimated gross profit margins expected to be realized over the life of the contracts. Under FAS 97 and FAS 120, the assumptions used to estimate future gross profits change as experience emerges. In addition, EITF D-41 requires that DAC related to FAS 97 and FAS 120 contracts should be adjusted to reflect the changes that would have been necessary if the unrealized gains and losses on available-for-sale bonds and stocks had actually been realized. This adjustment to DAC is recognized directly in equity and is not included in income.
Deferred revenue	All premium income is recorded as revenue. The anticipated costs of future services are included within the actuarial liabilities.	Under FAS 97, fees assessed to policyholders relating to services that are to be provided in future years are recorded as deferred revenue. Deferred revenue is amortized to income in the same pattern as DAC.

c) Presentation differences between Canadian GAAP and U.S. GAAP

	Canadian GAAP	U.S. GAAP
Premiums	All premium income is reported as revenue when due. A partially offsetting increase in actuarial liabilities for the related policies is recorded in the Consolidated Statements of Operations.	Under FAS 60 and FAS 120, gross premiums are reported as revenue when due. A partially offsetting increase in actuarial liabilities for the related policies is recorded in the Consolidated Statements of Operations. Premiums collected on FAS 97 contracts are not reported as revenue in the Consolidated Statements of Operations but are recorded as deposits to policyholders' account balances. Fees assessed against policyholders' account balances relating to mortality charges, policy administration and surrender charges are recognized as revenue.
Death, maturity and surrender benefits	All death, maturity and surrender benefits are reported in the Consolidated Statements of Operations when incurred. Additionally, to the extent these amounts have previously been provided for in actuarial liabilities, a corresponding release of actuarial liabilities is recorded in the Consolidated Statements of Operations.	For FAS 60 and FAS 120 contracts, all death, maturity and surrender benefits are reported in the Consolidated Statements of Operations when incurred. Additionally, to the extent these amounts have previously been provided for in actuarial liabilities, a corresponding release of actuarial liabilities is recorded in the Consolidated Statements of Operations. For universal life type contracts and investment contracts accounted for under FAS 97, benefits incurred in the period in excess of related policyholders' account balances are recorded in the Consolidated Statements of Operations.
Change in actuarial liabilities	Interest credited on policyholders' account balances is included in change in actuarial liabilities in the Consolidated Statements of Operations.	Interest required to support FAS 97 contracts is included in actuarial liabilities in the Consolidated Balance Sheets and is classified in general expenses in the Consolidated Statements of Operations.
Segregated fund assets and liabilities	Investments held in segregated funds are carried at market value. Segregated funds are managed separately from those of the general fund of the Company and are, therefore, presented in a separate schedule and are not included in the general fund Consolidated Balance Sheets or Consolidated Statements of Operations.	Assets and liabilities are called separate accounts and are presented in summary lines in the Consolidated Balance Sheets. Assets and liabilities are carried at market values and contract values, respectively.
Consolidated statements of cash flows	The cash flows from investment contracts, including deferred annuities and group pensions, are disclosed as an operating activity in the Consolidated Statements of Cash Flows.	The cash flows from investment contracts accounted for under FAS 97 are disclosed as a financing activity in the Consolidated Statements of Cash Flows.
Reinsurance	Reinsurance recoverables relating to ceded life insurance risks and ceded annuity contract risks are recorded as an offset to actuarial liabilities.	Where transfer of risk has occurred, life insurance actuarial liabilities are presented as a gross liability with the reinsured portion included as reinsurance recoverable. Actuarial liabilities related to annuities are also presented on a gross basis with the reinsured portions accounted for as deposits with reinsurers.
Equity	To reflect the demutualization of Manufacturers Life, equity is presented on a continuity of interest basis and, as such, surplus is reclassified to retained earnings net of the costs of services provided by outside vendors in respect of demutualization in the Consolidated Balance Sheets as at December 31, 1999. Shares issued to policyholders are recorded at nominal value and shares issued in a treasury offering are recorded at proceeds received net of share issuance costs in the Consolidated Balance Sheets.	Surplus is reclassified to share capital net of share issuance costs. Shares issued in a treasury offering are recorded at proceeds received net of share issuance costs. Costs incurred to effect the demutualization of Manufacturers Life are expensed in the Consolidated Statements of Operations.

d) Condensed consolidated balance sheets, applicable items

The significant valuation, income recognition and presentation differences between Canadian and U.S. GAAP outlined in notes 18 b) and 18 c) would impact the Consolidated Balance Sheets as follows:

As at December 31	2000 Canadian GAAP	2000 U.S. GAAP	1999 Canadian GAAP	1999 U.S. GAAP
Assets				
Bonds	$ 33,270	$ 34,561	$ 30,853	$ 30,810
Mortgages	7,174	7,009	6,867	6,705
Stocks	4,621	4,997	4,832	6,642
Real estate	3,262	2,450	3,179	2,445
Other investments	884	923	1,180	1,260
Deferred acquisition costs	–	5,147	–	4,066
Future income taxes	515	–	529	–
Reinsurance deposits and amounts recoverable	–	1,467	–	1,520
Other miscellaneous assets	1,621	1,664	1,930	1,949
Liabilities and equity				
Actuarial liabilities	$ 41,384	$ 48,279	$ 39,748	$ 45,353
Other policy-related benefits	3,171	3,543	2,688	2,978
Future income taxes	–	214	–	240
Deferred realized net gains	3,434	–	2,266	–
Other liabilities	1,798	2,164	2,425	2,624
Non-controlling interest in subsidiaries	299	205	750	692
Common shares and retained earnings	7,211	8,742	6,454	6,878
Accumulated effect of comprehensive income on equity	–	1,022	–	1,595

e) Condensed consolidated statements of operations, applicable items

The significant valuation, income recognition and presentation differences between Canadian and U.S. GAAP outlined in notes 18 b) and 18 c) would impact the Consolidated Statements of Operations as follows:

For the years ended December 31	2000 Canadian GAAP	2000 U.S. GAAP	1999 Canadian GAAP	1999 U.S. GAAP
Revenue				
Premium income	$ 8,515	$ 4,934	$ 8,672	$ 5,479
Fee income	–	1,534	–	1,283
Investment income	4,350	3,681	4,369	3,617
Realized investment gains	–	1,911	–	146
Other revenue	1,287	131	1,015	106
Policy benefits and expenses				
Policyholder payments	$ 8,513	$ 4,933	$ 7,346	$ 4,370
Change in actuarial liabilities	822	1,425	2,628	2,173
Expenses	3,413	3,382	2,852	2,957
Income taxes	$ (273)	$ (229)	$ (302)	$ (317)
Net income	$ 1,068	$ 2,159	$ 866	$ 752

f) Additional information required to be reported under U.S. GAAP

(i) Deferred acquisition costs

Changes in deferred acquisition costs were as follows:

For the years ended December 31	2000	1999
Balance, January 1	$ 4,066	$ 3,169
Capitalization	1,443	1,060
Accretion of interest	305	265
Amortization	(843)	(470)
Effect of net unrealized gains and losses on bonds and stocks	85	234
Foreign currency translation adjustment	91	(192)
Balance, December 31	$ 5,147	$ 4,066

(ii) Unrealized gains (losses) on bonds and stocks

Net unrealized gains (losses) on bonds and stocks included in equity were as follows:

As at December 31	2000	1999
Gross unrealized gains	$ 3,089	$ 3,814
Gross unrealized losses	(822)	(1,195)
Effect on deferred acquisition cost asset	(70)	(155)
Effect on unearned revenue liability	2	(10)
Effect on actuarial liabilities	(826)	(507)
Effect on future income taxes	(351)	(352)
Total	$ 1,022	$ 1,595

(iii) Fair value of actuarial liabilities of investment contracts

The fair value of actuarial liabilities of investment contracts as at December 31, 2000 was estimated at $9,324 (1999 – $8,042).

(iv) Stock-based compensation

The Company uses the intrinsic value method of accounting for stock-based compensation.

The fair value of each option granted in the year has been estimated at $10.41 using the Black-Scholes option pricing model. The pricing model assumes risk-free interest rates of 5.8%, expected dividend yields of 1.5% annually, expected common stock price volatility of 24% and expected life of seven years.

The fair value method requires that the compensation cost related to deferred share units ("DSUs") be measured as the intrinsic value of the DSUs at the grant date and recognized over the vesting period.

Had the fair value method been used for all awards granted, net income for the year ended December 31, 2000 would have been reduced by $12, and both basic and diluted earnings per share reduced by $0.02.

(v) Earnings per share

Basic earnings per share for the comparative period is not provided, as a reconciliation from Canadian GAAP net income to U.S. GAAP net income is provided only on an annual basis and a reconciliation was not available for the period from September 24, 1999 to December 31, 1999.

Diluted earnings per share was calculated to include the dilutive effect of outstanding options, using the treasury stock method, and also deferred share units. Under this method, exercise of options is assumed with the proceeds used to purchase common stock at the average market price for the period. The difference between the number of shares assumed issued and number of shares purchased represents dilutive shares. Adjusted diluted earnings per share for the year ended December 31, 2000 is the same as diluted earnings per share.

For the years ended December 31	2000	1999
Basic earnings per share		
Net income (after demutualization)	$ 2,159	Not available
Weighted average number of shares outstanding	483 million	
Basic earnings per share	$ 4.47	Not available
Adjusted basic earnings per share		
Adjusted net income	$ 2,159	$ 752
Weighted average number of shares outstanding	483 million	501 million
Adjusted basic earnings per share	$ 4.47	$ 1.50
Diluted earnings per share		
Net income (after demutualization)	$ 2,159	Not available
Weighted average number of shares outstanding	483 million	
Impact of options and DSUs	1 million	
Weighted average diluted number of shares outstanding	484 million	
Diluted earnings per share	$ 4.46	Not available
Adjusted diluted earnings per share		
Adjusted net income	$ 2,159	$ 752
Weighted average number of shares outstanding	483 million	501 million
Impact of options and DSUs	1 million	–
Weighted average diluted number of shares outstanding	484 million	501 million
Adjusted diluted earnings per share	$ 4.46	$ 1.50

g) Newly issued accounting statements

In June 1998, the U.S. Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative and Similar Financial Instruments and for Hedging Activities." This Statement, which is effective as of January 1, 2001 for the Company, requires that all derivative instruments be reported on the Consolidated Balance Sheets at their fair values, with changes in fair value recorded in income or equity, depending on the nature of the hedge. Changes in the fair value of derivatives that are not designated as hedges will be recognized in current period earnings. The Statement does not form any part of Canadian GAAP and therefore would not impact the Company's reporting on this basis. However, it would impact the Company's reconciliation of Canadian GAAP financial statements to U.S. GAAP.

Based on the Company's derivative positions as at December 31, 2000, the Company estimates that upon adoption, it will record an after-tax gain from the cumulative effect of an accounting change of approximately $13 in the Consolidated Statements of Operations and a reduction of $14 in other comprehensive income relating to derivatives but excluding embedded derivatives in the Company's insurance products. As formal interpretations of this new standard continue to be issued by the FASB, the Company is continuing its analysis of insurance products in order to identify embedded derivatives that may require bifurcation under the Statement. Any embedded derivatives identified requiring bifurcation will be marked to market through earnings reported under U.S. GAAP.

NOTE 19 *Comparatives*

Certain comparative amounts have been reclassified to conform with the current year's presentation.

Supplementary Tables

Table 1 *Key Performance Measures*

(Canadian $ in millions unless otherwise stated)	2000	1999	1998	1997	1996	1995	1994	1993	1992	1991	1990
Net income	1,068	866	710	743	503	481	281	187	85	201	124
Net operating income	1,068	866	710	624	503	372	281	187	85	201	187
Adjusted shareholders' net income	1,075	874	710	743	503	481	281	187	85	201	124
Capital(1)	8,555	7,771	7,415	6,377	4,859	3,826	3,052	2,771	2,584	2,162	2,174
Operating return on shareholders' equity (%)(2)	16.1%	14.0%	12.9%	13.6%	12.4%	11.4%	9.6%	7.0%	3.3%	9.7%	8.9%
Operating return on assets (%)	1.84%	1.58%	1.37%	1.28%	1.08%	0.93%	0.71%	0.51%	0.26%	0.71%	0.75%
Capital(1) as a per cent of liabilities	16.7%	16.1%	16.2%	14.4%	11.5%	10.6%	8.2%	7.8%	8.0%	7.6%	9.0%

(1) Capital includes: Total equity (formerly surplus), Subordinated debt and Trust preferred securities issued by subsidiaries

(2) Previously reported as operating return on surplus

Table 2 *Summary Consolidated Balance Sheets*

As at December 31 (Canadian $ in millions)	2000	1999	1998	1997	1996	1995	1994	1993	1992	1991	1990
Assets											
Bonds	33,270	30,853	30,691	28,662	25,627	21,259	18,452	16,763	14,805	12,382	10,816
Mortgages	7,174	6,867	7,702	7,809	8,106	6,917	8,555	9,368	9,565	9,052	7,799
Stocks	4,621	4,832	4,042	3,529	2,796	2,592	2,954	2,684	2,260	2,249	1,767
Real estate	3,262	3,179	2,992	2,806	3,044	2,888	3,350	3,395	3,275	2,873	2,602
Policy loans	3,616	3,207	3,137	2,663	2,354	1,973	1,856	1,651	1,425	1,187	1,082
Cash and short-term investments	3,783	3,047	1,329	1,842	2,600	1,792	2,683	2,447	1,554	1,724	1,198
Other investments	884	1,180	499	479	292	173	209	368	557	571	332
Total invested assets	56,610	53,165	50,392	47,790	44,819	37,594	38,059	36,676	33,441	30,038	25,596
Other assets	3,457	3,543	2,710	2,733	2,424	2,268	2,168	1,818	1,459	711	656
Total assets	60,067	56,708	53,102	50,523	47,243	39,862	40,227	38,494	34,900	30,749	26,252
Liabilities											
Actuarial liabilities	41,384	39,748	38,738	37,227	36,248	31,257	31,296	29,028	26,666	23,219	20,777
Other liabilities	9,829	8,439	6,873	6,865	6,088	4,759	5,863	6,678	5,635	5,351	3,290
Subordinated debt	588	582	627	581	566	341	–	–	–	–	–
Non-controlling interest in subsidiaries	299	750	76	54	48	20	16	17	15	17	11
Trust preferred securities issued by subsidiaries	756	735	783	728	–	–	–	–	–	–	–
Total equity(1)	7,211	6,454	6,005	5,068	4,293	3,485	3,052	2,771	2,584	2,162	2,174
Total liabilities and equity	60,067	56,708	53,102	50,523	47,243	39,862	40,227	38,494	34,900	30,749	26,252

(1) Previously reported as surplus

Table 3 *Summary Consolidated Statements of Equity*(1)

For the years ended December 31 (Canadian $ in millions)	2000	1999	1998	1997	1996	1995	1994	1993	1992	1991	1990
Balance, January 1	6,454	6,005	5,068	4,293	3,485	3,052	2,771	2,584	2,162	2,174	2,050
Net income for the year	1,068	866	710	743	503	481	281	187	85	201	124
Adjustment to equity(1)	–	–	–	(48)	321	–	–	–	337	(213)	–
Conversion costs	–	(31)	–	–	–	–	–	–	–	–	–
Shareholder dividends	(193)	–	–	–	–	–	–	–	–	–	–
Cash distributions to policyholders	–	(694)	–	–	–	–	–	–	–	–	–
Issue of common shares	–	694	–	–	–	–	–	–	–	–	–
Initial public offering costs	–	(58)	–	–	–	–	–	–	–	–	–
Purchase & cancellation of common shares	(206)	(128)	–	–	–	–	–	–	–	–	–
Change in Currency Translation Account	88	(200)	227	80	(16)	(48)	–	–	–	–	–
Balance, December 31	7,211	6,454	6,005	5,068	4,293	3,485	3,052	2,771	2,584	2,162	2,174

(1) Previously reported as surplus

TABLE 4 *Summary Consolidated Statements of Operations*

For the years ended December 31 (Canadian $ in millions)	2000	1999	1998	1997	1996	1995	1994	1993	1992	1991	1990
Revenue											
Premium income	8,515	8,672	5,696	5,622	5,694	5,193	4,988	4,456	4,104	4,000	3,933
Investment income	4,350	4,369	4,123	4,010	3,734	3,231	2,882	2,853	2,744	2,635	2,447
Other revenue	1,287	1,015	792	574	447	212	218	151	102	106	102
Total revenue	14,152	14,056	10,611	10,206	9,875	8,636	8,088	7,460	6,950	6,741	6,482
Policy benefits and expenses											
Payments to policyholders and beneficiaries	7,654	6,608	6,385	6,508	5,883	5,132	4,678	3,764	3,239	2,722	2,665
Increase in actuarial liabilities	822	2,628	252	169	873	1,089	1,214	1,788	2,004	2,378	2,272
Policyholder dividends and experience rating refunds	859	738	604	508	471	356	312	267	247	212	192
General expenses and commissions	3,277	2,703	2,118	1,868	1,693	1,220	1,204	1,058	996	910	893
Interest expense	191	179	158	156	161	203	243	281	297	223	183
Premium taxes	96	84	74	83	72	64	57	50	52	38	37
Non-controlling interest in subsidiaries	(151)	(114)	7	11	6	2	1	2	(3)	–	–
Trust preferred securities issued by subsidiaries	63	62	62	54	–	–	–	–	–	–	–
Total policy benefits and expenses	12,811	12,888	9,660	9,357	9,159	8,066	7,709	7,210	6,832	6,483	6,242
Income before preferred share dividends, unusual items and income taxes	1,341	1,168	951	849	716	570	379	250	118	258	240
Preferred share dividends	–	–	–	–	–	–	–	–	(16)	(16)	(16)
Unusual items	–	–	–	176	–	126	–	–	–	–	(63)
Income taxes	(273)	(302)	(241)	(282)	(213)	(215)	(98)	(63)	(17)	(41)	(37)
Net income	1,068	866	710	743	503	481	281	187	85	201	124
Net loss attributed to:											
Participating policyholders (after demutualization)	(7)	(8)	–	–	–	–	–	–	–	–	–
Net income attributed to:											
Shareholders (after demutualization)	1,075	267	–	–	–	–	–	–	–	–	–
Mutual operations (prior to demutualization)	–	607	710	743	503	481	281	187	85	201	124
Adjusted shareholders' net income	1,075	874	710	743	503	481	281	187	85	201	124
Net income	1,068	866	710	743	503	481	281	187	85	201	124

TABLE 5 *Funds under Management*

As at December 31 (Canadian $ in millions)	2000	1999	1998	1997	1996	1995	1994	1993	1992	1991	1990
Funds under management by category											
General fund	60,067	56,708	53,102	50,523	47,243	39,862	40,227	38,494	34,900	30,749	26,252
Segregated funds	54,908	49,055	38,200	27,018	18,553	5,532	5,445	4,012	2,734	2,270	1,905
Mutual funds	1,563	1,641	1,708	2,125	2,782	934	746	563	441	477	–
Securitized funds	–	–	–	–	–	–	4,622	4,477	3,696	2,435	–
Other managed funds	6,982	4,732	3,680	2,652	2,944	330	279	–	–	–	–
Total	123,520	112,136	96,690	82,318	71,522	46,658	51,319	47,546	41,771	35,931	28,157

Certain amounts have been restated to conform with the current year's presentation.

Table 6 *Premiums and Deposits by Line of Business and Geographic Territory*

For the years ended December 31 (Canadian $ in millions)	2000	1999	1998	1997	1996	1995	1994	1993	1992	1991	1990
General fund premiums by line of business											
Life and health insurance	5,284	5,552	3,953	3,758	3,743	3,089	2,836	2,541	2,295	2,050	1,869
Annuities and pensions	2,463	2,304	994	1,067	1,298	1,535	1,598	1,417	1,408	1,619	1,742
Reinsurance	768	816	749	797	653	569	554	498	401	331	322
Total	8,515	8,672	5,696	5,622	5,694	5,193	4,988	4,456	4,104	4,000	3,933
General fund premiums by geographic territory											
United States	3,652	3,498	2,276	2,202	2,181	2,152	2,241	2,373	2,161	2,190	2,163
Canada	2,540	3,347	2,292	2,294	2,549	2,142	1,963	1,548	1,459	1,418	1,084
International	2,323	1,825	1,120	1,121	964	806	685	438	367	280	211
Reinsurance(1)	–	–	–	–	–	–	–	–	–	–	322
Divested operations	–	2	8	5	–	93	99	97	117	112	153
Total	8,515	8,672	5,696	5,622	5,694	5,193	4,988	4,456	4,104	4,000	3,933

(1) Not split geographically prior to 1991

	2000	1999	1998	1997	1996	1995	1994	1993	1992	1991	1990
Segregated fund deposits by geographic territory											
United States	12,650	9,031	6,837	5,376	3,365	931	670	385	214	126	114
Canada	1,681	1,347	1,730	1,418	757	323	671	488	204	118	111
International	446	331	279	232	169	113	78	57	37	32	30
Divested operations	–	–	–	–	–	37	171	162	161	168	249
Total	14,777	10,709	8,846	7,026	4,291	1,404	1,590	1,092	616	444	504

Certain amounts have been restated to conform with the current year's presentation.

Table 7 *Quarterly Information – Summary Statements of Operations*

For the three months ended (Canadian $ in millions)	12/31/00	9/30/00	6/30/00	3/31/00	12/31/99	9/30/99	6/30/99	3/31/99
Revenues								
Premium income	2,114	1,981	2,141	2,279	2,215	2,110	2,656	1,691
Investment income	1,056	1,120	1,098	1,076	1,304	1,023	1,018	1,024
Other revenue	338	337	321	291	276	261	253	225
Total revenue	3,508	3,438	3,560	3,646	3,795	3,394	3,927	2,940
Policy benefits and expenses								
Payments to policyholders and beneficiaries	1,734	1,931	1,875	2,114	1,767	1,650	1,640	1,551
Increase in actuarial liabilities	177	134	293	218	595	541	1,141	351
Policyholder dividends and experience rating refunds	254	200	222	183	209	200	182	147
General expenses and commissions	935	793	812	737	744	722	676	561
Interest expense	55	48	48	40	58	34	46	41
Premium taxes	25	24	24	23	20	23	20	21
Non-controlling interest in subsidiaries	(70)	(42)	(54)	15	18	(67)	(66)	1
Trust preferred securities issued by subsidiaries	16	16	15	16	15	14	18	15
Total policy benefits and expenses	3,126	3,104	3,235	3,346	3,426	3,117	3,657	2,688
Income before income taxes	382	334	325	300	369	277	270	252
Income taxes	(96)	(19)	(83)	(75)	(126)	(53)	(66)	(57)
Net income	286	315	242	225	243	224	204	195
Net loss attributed to:								
Participating policyholders (after demutualization)	–	–	(5)	(2)	(8)	–	–	–
Net income attributed to:								
Shareholders (after demutualization)	286	315	247	227	251	16	–	–
Mutual operations (prior to demutualization)	–	–	–	–	–	208	204	195
Adjusted shareholders' net income	286	315	247	227	251	224	204	195
Net income	286	315	242	225	243	224	204	195
Return on shareholders' equity(1) (annualized)	16.2%	18.6%	15.2%	14.2%	15.7%	14.2%	13.2%	12.8%
Return on assets (YTD) (annualized)	1.84%	1.81%	1.64%	1.59%	1.58%	1.51%	1.47%	1.46%
Capital as a per cent of liabilities	16.7%	16.4%	15.8%	15.9%	16.1%	16.0%	16.2%	16.6%

(1) Previously reported as return on surplus

Certain amounts have been restated to conform with the current year's presentation.

Subsidiary Listing

(Canadian $ in millions as at December 31, 2000)	Percentage Ownership	Equity Interest in Subsidiaries	Address	Description of Entity
MANULIFE FINANCIAL CORPORATION			Toronto, Canada	Publicly traded insurance holding company.
The Manufacturers Life Insurance Company	100	$ 707	Toronto, Canada	Leading Canadian-based financial services company that offers a diverse range of financial protection products and wealth management services.
The Manufacturers Investment Corporation	100	4,197	Bloomfield Hills, Michigan, U.S.A.	Holding company for life insurance and reinsurance operations in the United States.
Manulife Reinsurance Corporation (U.S.A.)	100			
The Manufacturers Life Insurance Company (U.S.A.)	100			
The Manufacturers Life Insurance Company of America	100			
Manulife-Wood Logan Holding Co., Inc.	100			
Manulife Wood Logan, Inc.	100			
The Manufacturers Life Insurance Company of North America	100			
The Manufacturers Life Insurance Company of New York	100			
Manufacturers Securities Services, LLC	100			
Manulife Reinsurance Limited	100			
ManuLife (International) Reinsurance Limited	100	637	Hamilton, Bermuda	Holding company for financial reinsurance operations.
Manulife Management Services Ltd.	100			
Manufacturers P&C Limited	100			
Manufacturers Life Reinsurance Limited	100			
Manulife International Holdings Limited	100	503	Hamilton, Bermuda	Holding company for life insurance subsidiaries in Hong Kong and China and investment management operations in Hong Kong.
Manulife (International) Limited	100			
Manulife-Sinochem Life Insurance Co. Ltd.	51			
Manulife Funds Direct (Barbados) Limited	100			
Manulife Funds Direct (Hong Kong) Limited	100			
Manulife Bank of Canada	100	104	Waterloo, Canada	Provides integrated banking products and service options not available from an insurance company.
Manucab Ltd.	100	5	Toronto, Canada	Inactive.
FNA Financial Inc.	100	46	Toronto, Canada	Holding company for property and casualty reinsurance and investment management subsidiaries.
First North American Insurance Company	100			
Elliott & Page Limited	100			
Seamark Asset Management Ltd.	67.86			
NAL Resources Management Limited	100			
Manulife International Capital Corporation Limited	100	20	Toronto, Canada	A specialized financing corporation and holding company.
Regional Power Inc.	80			
Manulife Data Services Inc.	100	2	Bridgetown, Barbados	Inactive.
P.T. Asuransi Jiwa Manulife Indonesia	51	26	Jakarta, Indonesia	Indonesia life insurance company.
The Manufacturers Life Insurance Co. (Phils.), Inc.	100	35	Manila, Philippines	Philippines life insurance company.
Manulife Europe Ruckversicherungs-Aktiengesellschaft	100	6	Cologne, Germany	European property and casualty reinsurance company.
Manulife International Investment Management Limited	100	12	London, England	Investment management company for Manulife Financial's international funds.
994744 Ontario Inc.	100	5	Toronto, Canada	Real estate holding company.
OUB Manulife Pte. Ltd.	50	6	Singapore	Singapore life insurance company.
Manulife Securities International Ltd.	100	0	Waterloo, Canada	Mutual fund dealer for Canadian Operations.
Chinfon-Manulife Insurance Company Limited	60	4	Ho Chi Minh City, Vietnam	Vietnam life insurance company.
Manulife Century Investments (Alberta) Inc.	100	503	Calgary, Canada	Holding company for life insurance subsidiary in Japan.
Manulife Century Life Insurance Company	74.6			
MLI Resources Inc.	100	52	Calgary, Canada	Holding company for oil and gas assets.
MIL Holdings (Bermuda) Limited	100	300	Hamilton, Bermuda	Holding company for a life insurance subsidiary.
Manulife European Holdings (Alberta) Limited	100	451	Calgary, Canada	Holding company for a European financing subsidiary.
Total equity interest in subsidiaries		**$7,621**		

Board of Directors

CORPORATE GOVERNANCE PRACTICES

Manulife Financial's approach to corporate governance reflects its core values and supports its vision to be the most professional life insurance company in the world. The Company believes that adopting appropriate governance practices is fundamental to a well-run company, to the execution of its chosen strategies and to its successful business and financial performance. The Company is committed to continuing the tradition of remaining at the forefront of good governance and to ensuring the highest standards of corporate governance for its shareholders.

For a full report on Manulife Financial Corporation's corporate governance practices, please refer to the Company's Management Proxy Circular, where you will find the Company's Statement of Corporate Governance Practices, Directors' biographies, Board and Committee attendance and additional information relating to the Company's corporate governance practices.

BOARD OF DIRECTORS

"Director Since" refers to the year of first election to the Board of The Manufacturers Life Insurance Company ("Manufacturers Life").
The Committees listed are those on which the Directors serve for Manulife Financial Corporation ("the Company").

Arthur R. Sawchuk (Chairman)
Chairman, Manulife Financial
Toronto, Ontario, Canada
Committee: Corporate Governance & Nominating (Chair)
Director Since: 1993

Dominic D'Alessandro
President & CEO, Manulife Financial
Toronto, Ontario, Canada
Director Since: 1994

Kevin E. Benson
Corporate Director
Calgary, Alberta, Canada
Committee: Corporate Governance & Nominating
Director Since: 1995

John M. Cassaday
President & CEO,
Corus Entertainment Inc.
Toronto, Ontario, Canada
Committee: Management Resources & Compensation (Vice Chair)
Director Since: 1993

Lino J. Celeste
Chairman, Aliant Inc.
Saint John, New Brunswick, Canada
Committee: Corporate Governance & Nominating
Director Since: 1994

Gail C.A. Cook-Bennett
Chairperson, Canada Pension Plan Investment Board
Toronto, Ontario, Canada
Committee: Management Resources & Compensation
Director Since: 1978

Robert E. Dineen, Jr.
Partner, Shearman & Sterling
New York, New York, U.S.A.
Committee: Corporate Governance & Nominating
Director Since: 1999

Pierre Y. Ducros
President,
P. Ducros & Associates Inc.
Montreal, Quebec, Canada
Committee: Management Resources & Compensation
Director Since: 1999

Allister P. Graham
Chairman, Nash Finch Company
Minneapolis, Minnesota, U.S.A.
Committees: Audit; Conduct Review
Director Since: 1996

Thomas E. Kierans
Chairman, The Canadian Institute for Advanced Research
Toronto, Ontario, Canada
Committees: Audit (Chair); Conduct Review (Chair)
Director Since: 1990

Lorna R. Marsden
President & Vice-Chancellor,
York University
North York, Ontario, Canada
Committees: Audit; Conduct Review
Director Since: 1995

John D. Richardson
Senior Executive Vice President and Chief Information Officer,
Manulife Financial
Toronto, Ontario, Canada
Director Since: 1999

Hugh W. Sloan, Jr.
Deputy Chairman,
Woodbridge Foam Corporation
Troy, Michigan, U.S.A.
Committee: Management Resources & Compensation (Chair)
Director Since: 1985

Michael H. Wilson
Chairman & CEO,
RT Capital Management Inc.
Toronto, Ontario, Canada
Committees: Audit; Conduct Review
Director Since: 1995

Officer Listing

EXECUTIVE COMMITTEE

Dominic D'Alessandro
President and
Chief Executive Officer

John D. Richardson
Senior Executive Vice President
and Chief Information Officer

Victor S. Apps
Executive Vice President and
General Manager, Asia

Felix Chee
Executive Vice President,
Investments

Richard Coles
Executive Vice President,
Investments

John DesPrez III
Executive Vice President,
U.S. Operations

Bruce H. Gordon
Executive Vice President,
Canadian Operations

Donald Guloien
Executive Vice President and
Chief Investment Officer,
Investment Operations

Geoff Guy
Executive Vice President and
Chief Actuary

Trevor J. Matthews
President and
Chief Executive Officer,
Manulife Century Life Insurance
Company Ltd.

Peter H. Rubenovitch
Executive Vice President and
Chief Financial Officer

Effective as of April 2, 2001

MANAGEMENT COMMITTEE

Includes members of the Executive Committee plus:

Jim Boyle
Senior Vice President,
Annuities and President,
Manulife North America

Jim Brown
Senior Vice President,
Client Relations,
Information Services

Robert T. Cassato
President and
Chief Executive Officer,
Manulife Wood Logan, Inc.

Robert A. Cook
Senior Vice President,
U.S. Insurance

Geoff Crickmay
Senior Vice President,
Group Benefits,
Canadian Operations

J. Roy Firth
Senior Vice President,
Wealth Management,
Canadian Operations

Peter Hutchison
Senior Vice President,
Corporate Taxation

Edward Lau
Senior Vice President and
General Manager, Hong Kong

Norman Light
Senior Vice President and
Corporate Controller

Beverly S. Margolian
Senior Vice President and
Chief Risk Officer

Jim O'Malley
Senior Vice President,
U.S. Group Pensions

Joseph J. Pietroski
Senior Vice President and
Corporate Secretary

Susan E. Robinson
Senior Vice President,
Human Resources and
Communications

Paul Rooney
Senior Vice President,
Individual Insurance,
Canadian Operations

Connie I. Roveto
President and
Chief Operating Officer,
Elliott & Page

Dale Scott
Senior Vice President and
General Counsel

Jim Senn
Senior Vice President and
General Manager,
Reinsurance Operations

International Office Listings

CORPORATE HEADQUARTERS

Manulife Financial Corporation
Tel: (416) 926-3000
200 Bloor Street East
Toronto, ON
Canada M4W 1E5

CANADIAN DIVISION

Affinity Markets
Tel: (416) 229-3035
5650 Yonge Street, 16th Floor
North York, ON
Canada M2M 4G4

Canadian Group Pensions
Tel: (519) 747-7000
Manulife Square
25 Water Street South
P.O. Box 800, Station C
Kitchener, ON
Canada N2G 4Y5

Group Benefits
Tel: (519) 747-7000
380 Weber Street North
P.O. Box 1650
Waterloo, ON
Canada N2J 4V7

Individual Life Centre
Tel: (519) 747-7000
Manulife Square
25 Water Street South
P.O. Box 800, Station C
Kitchener, ON
Canada N2G 4Y5

Individual Wealth Management
Tel: (519) 747-7000
500 King Street North
Waterloo, ON
Canada N2J 4C6

Manulife one
Tel: (519) 747-7000
500 King Street North
Waterloo, ON
Canada N2J 4C6

CANADIAN SUBSIDIARIES

Elliott & Page Limited Mutual Funds
Tel: (416) 581-8300
393 University Avenue
Suite 2100
Toronto, ON
Canada M5G 1E6

Manulife Bank of Canada
Tel: (519) 747-7000
500 King Street North
Waterloo, ON
Canada N2J 4C6

Manulife Securities International Ltd.
Tel: (519) 747-7000
500 King Street North
Waterloo, ON
Canada N2J 4C6

U.S. DIVISION

Boston National Sales and Marketing
Tel: (617) 854-4300
73 Tremont Street
Suite 1300
Boston, MA 02108-3915 U.S.A.

Toronto Office
Tel: (416) 926-0100
200 Bloor Street East, NT-G
Toronto, ON
Canada M4W 1E5

The Manufacturers Life Insurance Company of North America
Tel: (800) 344-1029
500 Boylston Street
Suite 400
Boston, MA 02116-3739 U.S.A.

The Manufacturers Life Insurance Company of New York
Tel: (877) 391-3748
100 Summit Lake Drive
2nd Floor
Vallaha, NY 10595 U.S.A.

Manulife Wood Logan, Inc.
Tel: (800) 334-4437
680 Washington Boulevard
9th Floor
Stamford, CT 06901-3710 U.S.A.

ASIAN DIVISION

Asia Head Office
Tel: (852) 2510-5888
48/F., Manulife Plaza
The Lee Gardens
33 Hysan Avenue
Causeway Bay
Hong Kong

HONG KONG

Manulife (International) Limited
Tel: (852) 2510-5600
31/F., Manulife Tower
169 Electric Road
North Point
Hong Kong

Manulife Provident Funds Trust Company Limited
Tel: (852) 2510-5600
31/F., Manulife Tower
169 Electric Road
North Point
Hong Kong

Manulife Funds Direct (Hong Kong) Limited
Tel: (852) 2510-5888
47/F., Manulife Plaza
The Lee Gardens
33 Hysan Avenue
Causeway Bay
Hong Kong

INDONESIA

Manulife Indonesia
Wisma Dharmala Manulife
Tel: (62-21) 230-3223
Jl. Pegangsaan Timur No. 1A
Jakarta 10320
Indonesia

PHILIPPINES

Manulife Philippines
Tel: (63-2) 817-2976
Manulife Centre,
108 Tordesillas corner
Gallardo Streets
Salcedo Village, Makati City
Metro Manila
Philippines

TAIWAN

Manulife Taiwan
Tel: (886-2) 2740-9080
4/F., 2 Tun Hwa South Road
Section 1, Taipei
Taiwan

CHINA

Manulife-Sinochem Life Insurance Co. Ltd.
Tel: (86-21) 5049-2288
21/F., Jin Mao Tower
88 Century Boulevard
Pudong New Area
Shanghai 200120
PR China

JAPAN

Manulife Century Life Insurance Company
Tel: (81-424) 898-009
1 Kokuryocho, 4 - chome
Chofu-shi, Tokyo
Japan 182-8621

SINGAPORE

OUB Manulife Pte Ltd.
Tel: (65) 737-1221
491B River Valley Road
#07-00 Valley Point
Singapore 248373

VIETNAM

Chinfon-Manulife Insurance Company Limited
Tel: (84-8) 825-7722
12/F., Diamond Plaza
34 Le Duan, Ho Chi Minh City
Vietnam

REINSURANCE DIVISION

Manulife Reinsurance
Tel: (416) 926-3507
200 Bloor Street East, NT-8
Toronto, ON
Canada M4W 1E5

INVESTMENT OPERATIONS

Mortgage
Tel: (416) 926-5925 (Canada)
Tel: (416) 926-5840 (U.S.A.)
200 Bloor Street East, NT-6
Toronto, ON
Canada M4W 1E5

Real Estate
Tel: (416) 926-5500
250 Bloor Street East, 8th Floor
Toronto, ON
Canada M4W 1E5

Securities
Tel: (416) 926-5977
200 Bloor Street East, NT-6
Toronto, ON
Canada M4W 1E5

INVESTMENT AFFILIATES

Elliott & Page Limited Asset Management
Tel: (416) 926-6262
200 Bloor Street East, NT-6
Toronto, ON
Canada M4W 1E5

Manulife Capital
Tel: (416) 926-5727
200 Bloor Street East, NT-6
Toronto, ON
Canada M4W 1E5

Manulife Capital Corporation
Tel: (617) 426-1154
175 Federal Street, Suite 825
Boston, MA 02110, U.S.A.

Manulife International Investment Management Limited
Tel: (44-20) 7330-1900
Broad Street House
55 Old Broad Street
London, England
EC2M 1TL

Ironside Ventures LLC
Tel: (617) 451-5600
45 Milk Street, Suite 600
Boston, MA 02109 U.S.A.

NAL Resources Management Limited
Tel: (403) 294-3600
550 6th Avenue S.W., Suite 600
Calgary, AB
Canada T2P 0S2

Regional Power Inc.
Tel: (416) 593-4717
40 University Avenue, Suite 710
Toronto, ON
Canada M5J 1T1

Seamark Asset Management Ltd.
Tel: (902) 423-9367
1801 Hollis Street, Suite 310
Halifax, NS
Canada B3J 3N4

Shareholder Information

MANULIFE FINANCIAL CORPORATION HEAD OFFICE

200 Bloor Street East
Toronto, ON Canada M4W 1E5
Tel: (416) 926-3000
Fax: (416) 926-5454
Web site: www.manulife.com

ANNUAL MEETING OF SHAREHOLDERS

Shareholders are invited to attend the annual meeting of Manulife Financial Corporation to be held on May 1, 2001 at 10:00 a.m. at the North Building, Metro Toronto Convention Centre, John W. H. Bassett Theatre, 255 Front Street West, Toronto, Ontario.

STOCK EXCHANGE LISTINGS

Manulife Financial Corporation's common shares are listed on:
The Toronto Stock Exchange (MFC)
New York Stock Exchange (MFC)
The Stock Exchange of Hong Kong (0945)
Philippine Stock Exchange (MFC)

GENERAL INFORMATION

Requests relating to general information, including media inquiries, may be directed to our Corporate Communications Department.
Tel: (416) 926-5230
Fax: (416) 926-5410
E-Mail:
corporate_communications@manulife.com

INVESTOR RELATIONS

Institutional investors, brokers, security analysts and other investors requiring financial information may contact our Investor Relations Department or access our Web site at www.manulife.com.
Tel: 1-800-795-9767
Fax: (416) 926-3503
E-Mail:
investor_relations@manulife.com

TRANSFER AGENT AND REGISTRAR

Information regarding your shareholdings, including changes of address, changes in registration, direct deposit of dividends (Canada and Hong Kong only), lost certificates, or to eliminate duplicate mailings of shareholder material, may be obtained by contacting our Transfer Agent.

Transfer Agent in Canada
Computershare Trust Company of Canada
100 University Avenue, 11th Floor
Toronto, ON
Canada M5J 2Y1
Tel: 1-800-783-9495
Fax: 1-877-713-9291
Local Fax: (416) 981-9507
E-Mail:
manulife@computershare.com

Computershare offices are also located in Montreal, Halifax, Vancouver and Calgary.

Transfer Agent in the United States
Computershare Trust Company, Inc.
12039 West Alameda Parkway
Suite Z-2 Lakewood, Colorado
80228 U.S.A.
Tel: 1-800-783-9768
Fax: 1-877-713-9291
E-Mail:
manulife@computershare.com

Transfer Agent in Hong Kong
Central Registration
Hong Kong Limited
Rooms 1901-5, 19th Floor
Hopewell Centre
183 Queen's Road East
Hong Kong
Tel: (852) 2862-8628

Transfer Agent in the Philippines
The Hongkong and Shanghai Banking Corporation Limited
30/F Discovery Suites
25 ADB Avenue
Ortigas Centre, Pasig City
Philippines
Tel: (632) 636-7306 or
(632) 636-7348

AUDITORS

Ernst & Young LLP
Chartered Accountants
Toronto, Canada

MFC ANNUAL REPORT ON-LINE

This annual report is also available at www.manulife.com

COMMON SHARE TRADING SUMMARY

	Toronto (Canadian $)	New York (U.S. $)	Hong Kong (Hong Kong $)	Philippines (Philippine Peso)
Year 2000				
Fourth Quarter				
High	$ 48.40	$ 32.19	$ 239.00	P 1,545
Low	$ 30.85	$ 20.44	$ 158.50	P 940
Close	$ 46.95	$ 31.38	$ 236.00	P 1,530
Third Quarter				
High	$ 32.55	$ 22.00	$ 168.00	P 970
Low	$ 25.20	$ 17.06	$ 129.00	P 760
Close	$ 31.60	$ 20.75	$ 163.50	P 960
Second Quarter				
High	$ 28.25	$ 19.19	$ 146.50	P 805
Low	$ 20.85	$ 14.31	$ 109.00	P 585
Close	$ 26.10	$ 17.81	$ 136.50	P 775
First Quarter				
High	$ 21.45	$ 14.75	$ 109.50	P 585
Low	$ 15.25	$ 10.25	$ 79.00	P 425
Close	$ 21.30	$ 14.69	$ 108.00	P 575
Year 1999				
Fourth Quarter				
High	$ 21.10	$ 14.38	$ 110.50	P 570
Low	$ 16.95	$ 10.56	$ 86.25	P 430
Close	$ 18.45	$ 12.69	$ 95.25	P 475

COMMON SHARE DIVIDENDS

(Canadian $)	Record Date	Payment Date	Per Share Amount
Year 2000			
Fourth Quarter	February 21, 2001	March 19, 2001	$ 0.12
Third Quarter	November 20, 2000	December 18, 2000	$ 0.10
Second Quarter	August 25, 2000	September 29, 2000	$ 0.10
First Quarter	June 2, 2000	July 7, 2000	$ 0.10
Year 1999			
Fourth Quarter	March 20, 2000	April 28, 2000	$ 0.10

Corporate Citizenship

Being a good corporate citizen is an integral part of Manulife Financial's vision of being a world-class Canadian-based global financial services company. Through our corporate citizenship program we give back to the communities in which we operate – in Canada, the United States and Asia – through partnerships with charitable and non-profit organizations that involve donations, sponsorships, and support of the volunteer activities of our employees and distribution partners.

Over the past few years, Manulife's financial commitment to philanthropic causes has more than tripled, and we plan to continue to grow this commitment as we grow our business. As a future-oriented company, we guide our citizenship practices by the principle of "giving forward," concentrating on areas of important emerging needs with the aim of making a positive difference in the future.

Manulife Financial

Manulife Financial Corporation

Head Office
200 Bloor Street East
Toronto, ON, Canada M4W 1E5
Tel: (416) 926-3000
Fax: (416) 926-5454

Investor Relations
Tel: 1-800-795-9767
Fax: (416) 926-3503
E-mail: investor_relations@manulife.com

www.manulife.com

$1,068,000,000 net income

114 years of experience 15 countries and territories

$123,520,000,000 funds under management

TSE Toronto Stock Exchange NYSE The New York Stock Exchange The Stock Exchange of Hong Kong PHILIPPINE STOCK EXCHANGE

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